Ministry of Rural Development
(SGSY Division)

Update on Redesigning the Swarnjayanti Gram Swarozgar Yojana

Objectives of the SGSY Scheme

The objective of the Swarnjayanti Gram Swarozgar Yojana is to bring the assisted poor families (Swarozgaris) above the poverty line by ensuring appreciable sustained level of income over a period of time. This objective is to be achieved by inter – alia organizing the rural poor into Self help Groups (SHGs) through the process of social mobilization, their training and capacity building and provision of income generating assets through a mix of bank credit and government subsidy. It is a credit linked scheme, wherein credit is the key element with subsidy being an enabling component. Under the Scheme, financial assistance is given to Individuals or Groups (Self Help Groups) belonging to below poverty line families. However, the emphasis is on the Group Approach and development of activity clusters by selecting about 10 key activities per block. The scheme also recognizes that alternative forms of employment are relevant in the current opportunity scenario for the rural BPL youth to be absorbed on a skill upgradation and placement basis. The Programme is being implemented in rural areas of all the States / UTs (except Delhi and Chandigarh) through the DRDAs.

But now, after observing the multi faceted nature of poverty , limitations in the scheme to comprehensively address all needs of a BPL family and the changing economic scenario in terms of the growth process in the country, it is found relevant to explore alternative forms of employment for rural youth by way of skill upgradation & placement too, in addition to the ongoing self employment effort.

Resume / Lessons Learnt during the Tenth Five Year Plan (2002-2007)

The performance highlights during the Tenth Five Year Plan period are as follows:

(i)	Number of SHGs formed	-	15.88 lakhs
(ii)	Number of Grade-I passed SHGs	-	10.36 lakhs
(iii)	Number of Grade-II passed SHGs	-	5.37 lakhs
(iv)	SHGs that have taken up eco.activity	-	3.70 lakhs
(v)	Total Swarozgaris assisted	-	56.57 lakhs
(vi)	No. of Individual swarozgaris assisted	-	15.54 lakhs
(vii)	No. of SHG swarozgaris assisted	-	4.10lakhs
(viii)	Total SC/ST Swarozgaris assisted	-	26.70 lakhs (47.19%)
(ix)	Number of women swarozgaris assisted	-	33.48 lakhs (59.18%)

(x)	Total investment	-	Rs. 12,363 crore
	Of which : credit	-	Rs. 8,229 crore
	Subsidy disbursed	-	Rs. 4,034 crore
(xi)	Total allocation	-	Rs. 5,954 crore
	of which: Central allocation	-	Rs. 4,468 crore
	State allocation	-	Rs. 1,486 crore

Other details are available in Annexure I.

Lessons learnt

It has taken 3 years of the Ninth Plan and the full Tenth Plan period to reach the existing level of group formation and economic assistance under the scheme. About 26 lakh SHGs have been formed but their distribution in the country is very skewed. The pockets of greater incidence of poverty in central and eastern India show much lesser achievement under SHG formation compared to the southern states. Further, a great deal of progress is still to be made in respect of livelihoods even in the SHG dominant states. The reasons for slow progress are :

(i) A specialized, dedicated implementation machinery not put in place for a complex scheme like SGSY in terms of competence, knowledge & resources
(ii) Size of budget not commensurate with both size of task and stage of existing processes
(iii) Lack of region specific planning
(iv) Lack of political commitment and leadership for the scheme
(v) Adhocism in planning and implementation processes
(vi) Lack of appreciation of complexity of livelihood issues
(vii) Lack of comprehensive and effective monitoring

In addition the critical activity of provision of economic assistance has been adversely affected by :

(i) Poor and inefficient identification of viable economic activities
(ii) Absence of sound, bankable livelihood schemes
(iii) Poor response from the banking system
(iv) All above reasons compounded by inadequate handling of forward and backward linkages like marketing, supporting infrastructure, skill upgradation and absence of essential technological back up.

Emerging Models for Implementation of the SGSY

The implementation of the SGSY scheme has met with varied degrees of success in different parts of the country. Since the fulcrum of the scheme is social mobilization and group formation, the scheme has registered some progress in states like A.P. and Tamilnadu where the SHG formation process has taken off in a relatively smooth manner. However, in the larger poverty pockets central and eastern India, the scheme is yet to make a significant impact, since the process of social mobilization is still at an early stage. Based on the initial conditions and status of delivery mechanisms, a few successful models of implementation of the SGSY have emerged in the country to empower the poor and strengthen their livelihood based. Some of them are briefly discussed below:

(i) **Kudumbashree Model of Kerala –** This approach focuses on building organizations of the poor under the umbrella of local self government. It is a three tier organization viz., Neighbourhood Groups, Area Development Societies and Community Based Organizations. The poor families are identified on the basis of 9 major deprivations for targeting assistance. This successful model in Kerala is based on the support of the historically strong Panchayati Raj Institutions in Kerala. This model is dependent on democratic decentralized government and is replicable only in states where PRIs are well established like West Bengal. However, even in Kerala this model could not address the empowerment and livelihood concern of extreme poor communities like fishermen and scheduled tribes.

(ii) **SHG Model of Andhra Pradesh –** Andhra Pradesh brought together the lessons from the UNDP assisted South Asia Poverty Alleviation Project (SAPAP) which has demonstrated that the poor have enough potential to help themselves if that potential is adequately harnessed through a process of social mobilization and empowerment. This process results in the creation of organizations of the poor which are federated at the village, mandal and district levels. Andhra Pradesh has managed to bring about 80% of its rural poor into the SHG network. This approach has succeeded in the state mainly due to a strong political commitment to the programme and ensuring of continuity in the administrators. A Rs. 600 crore World Bank assistance has boosted the resource based for the social mobilization effort which subsequently resulted in successful leveraging of bank credit. The success of this model depends upon the functioning and sustainability of the federations and the existence of a dedicated administrative set up for self employment.

(iii) **Individual Household Model of Gujarat –** The Gujarat model utilizes the per capita expenditure based approach to identify rural poor, takes into account the multi-dimensional nature of poverty. It has used 13 score-based socio-economic parameters for assessing the poverty level of each household. Then, it groups them into poor and very poor, and prioritizes the poverty alleviation programmes by placing the poorest at the top.

Equipped with a very systematic computerized ordinal list of the poor identified on the basis of a vector of multi-dimensional indicators of basic deprivations, the Gujarat approach of poverty alleviation programme is oriented towards assistance to individual households. The strong cooperative and business ethos of Gujarat and well knit market and other rural infrastructure, including adequate rural power supply, the model has been working well in Gujarat. But in other states it is doubtful whether it is possible to replicate such individual/household approach without strong involvement of either PRIs or NGOs or SHGs.

The success of the Kudumbashree Model of Kerala depends largely on the functioning of a strong PRI organizational network and this is not in existence in all parts of the country. Similarly, the Gujarat model is a business-like model with emphasis on individual / household oriented delivery system, which may not work in other states. It then emerges that the Andhra Pradesh model is feasible in a larger number of states in the country since it is premised on the organization of the poor into SHGs and implemented through a dedicated machinery. It can be a suitable model for poverty alleviation.

Salient Features of the Scheme in the Eleventh Plan Period

After eight years of SGSY experience in the Ministry, the experience of various states and the various models of implementation have been taken stock of. The findings of several evaluation studies have also been considered to take note of the multi-faceted nature of rural poverty. The roles played by different organizations and implementation agencies along with their relative successes have also been observed. Evaluating the importance of livelihood and other issues of universal concern for poverty alleviation, the Ministry felt the need to bring about major changes in the guidelines of the scheme along with a change in the approach and operations of the SGSY scheme for the Eleventh Plan Period. This has been felt necessary in order to improve the delivery of the scheme and enable faster achievement of the outcome. The fundamental features of the proposed modified scheme are elaborated below:

(i) The present system of allocation based fund release under SGSY places great pressure to release the funds before the end of the financial year. Similarly, to restrict their opening balances to within the prescribed limit, the present system forces the DRDAs to resort to parking of funds, without qualitative expenditure being incurred on the scheme. There is a dire need to change this system.

(ii) To overcome this problem, a system of fund flow that keeps the entitlement of each state fixed and yet provides for fund release based on the achievement of milestones would be required. The entitlement of each state would continue to be fixed at the beginning of the year on the basis of the poverty ratio given by Planning Commission which is presently being done. **This entitlement would be non-lapsable** in the form of a Poverty Elimination Fund created at the National, State and District levels. In order to get it implemented, an MoU would be entered into with each state listing out the commitments and milestones expected in the scheme implementation. Part of the funds will be released on an allocation basis and the other part on the basis of an MoU with each state where area specific action plans for poverty elimination submitted by the states will be examined for approval. **To begin with, the plan based and allocation based funds would be released with the ratio of**

25:75, changing in subsequent years to 50:50, 75:25 and the allocation basis will be gradually phased out in the fourth year.

(iii) The allocation based funds are to be used for social mobilization, capacity building and revolving fund only.

(iv) **MoUs** will be signed between the Centre and the States to obtain their commitments to follow the contours of the new scheme. In the MoU, each state will confirm its commitment to implement the programme by ensuring the **stability of tenure of key officials and creating a separate implementation agency at the State and District levels.** It will also prepare a comprehensive Poverty Alleviation Plan with **definite milestones** in terms of institutions of poor to be created, **livelihood support systems**, social mobilization, resource persons etc. A commitment to provide the state share of resources will be given. Fund flow would be based on the progress of implementation of the **Plan** prepared by the State. The MoU will also indicate the establishment of a comprehensive data management system that is web enabled. Periodic review mechanism with stakeholders will also be a part of the MoU.

(v) **Region-specific Poverty Alleviation Plans (PEPs)** will be prepared by the States indicating milestones to be achieved in a definite timeframe. In the preparation of such PEPs the factors that will be kept under consideration will be the profile of the poor, area resource endowment, institutional support available in the area, banking & credit delivery mechanisms available, stage of the SHG movement in the area, type of economic activity available in the area with potential for exploitation of emerging opportunities for the poor. Milestones and timeframes will be defined for each component of the Plan and the necessary resource, technical, institutional and financial support will be indicated.

(vi) **A dedicated rural poverty alleviation machinery** at National, State and District levels will be set up, each supported by a Livelihood Resource Center with sufficient resources in terms of manpower, expertise, reach and finances. This will ensure a shift from indifferent bureaucratic implementation to a pro-active, passionate and participatory implementation

(vii) **Universalisation of social mobilization**, SHG formation and their federations in envisaged. This will be a pre-requisite for a state to avail itself of funding under the Poverty Elimination Fund. At least one person per BPL family would be brought into the SHG fold. Emphasis on federations of SHGs will be strong due to the greater bargaining power, credit worthiness and enhanced corpus for group funding that would ensue.

(viii) The expenditure on formation of SHGs, their training and capacity building will be met from the government grant. Subsequently, when the federations of SHGs are created, the Revolving Fund would be placed with the federations. The federations will pass on the Revolving Fund amount to the SHG members ‘without’ any interest component. However, the expenses towards formation and running the federations for the first five years of their existence will be borne by the Government. Basically an interest free Revolving Fund would be in operation.

Subsidy would be given to those groups who go in for economic activity as per the procedure in the existing scheme. There will be **two types of subsidy**, firstly at the individual level for the BPL beneficiary to enhance his corpus and be in a position to compete with others for a certain minimum level of credit and secondly for common infrastructure for economic activity so that the basic viability of the activity is ensured. ***However, the issue of subsidy is under serious discussion within the Ministry and a decision is yet to be taken.*** At the level of economic assistance the existing back ended subsidy would continue in order to enable greater access to credit for the poorer segments of the people, but the Ministry is also considering the possibilities & advantages of an **interest subsidy model**. Moreover, the views of the states are yet to be obtained through a National Level Consultation.

(ix) **Risk Mitigation** – The issue of credit flow to the beneficiaries and risk mitigations of the beneficiaries is still under discussions in the Ministry and a final view is yet to be taken.

(x) To take advantage of the momentum and variety offered by a double digit rate of growth and the consequent opportunities for employment in terms of lower end skills, the Ministry will organize on a large scale, demand based **skill upgradation programmes** which carry guaranteed placement. This is owing to the fact that though there is boom in the economy, the BPL population is not capable of capturing the benefits of the opportunities arising as a result of this boom. This is primarily due to the skill gap. It is precisely that gap which the Ministry proposes to bridge through demand based, skill upgradation and placement programmes. The Ministry will fund the expenditure towards these programmes from its Special Projects head where 15% of the SGSY budget is earmarked. Under this head the Ministry will implement such programmes at the state and pan-Indian levels for providing alternative employment to the rural poor in addition to the ongoing skill development effort. These demand based skill development programmes have proved to be a cost effective and sustainable way of poverty alleviation. Agencies at State and National level will accord high priority to imparting placement linked skills to the rural BPL youth and opportunities thrown up by the current growth process will be exploited while formulating such programmes. Separate guidelines will be issued for revamping the approach to SGSY Special Projects in the light of the experience of their implementation across the country. 15% of the SGSY budget will be earmarked for Special Projects.

(xi) A Rural Marketing Agency will be created at the National Level to facilitate marketing of products of rural poor

(xii) A comprehensive and rigorous decentralized monitoring & database management system will be put in place

(xiii) Activity Groups will be formed from amongst the members of SHGs who will be facilitated and hand held by Livelihood Support Centers. Activity Groups should also be federated at various levels to achieve economies of scale and better business terms

(xiv) The Drafting Committee had suggested that the name of the SGSY scheme be changed to National Poverty Elimination Plan (NPEP) but this is under consideration by the Ministry and is yet to be discussed with the States.

Fund Requirement During Eleventh Plan

When the issue of fund requirement for SGSY was discussed with the Working Group, the projections were formulated **assuming the present form of SGSY** to continue during the Eleventh Plan horizon. As per that approach, the basic consideration is that there are at present 26 lakh SHGs formed under SGSY, out of which 7.72 lakh are waiting for revolving fund and 3.11 lakh for economic assistance. About Rs. 4590 crores are required for providing assistance to waiting SHGs. The SHGs which are given revolving fund will also have to be given economic assistance and Rs. 9650 crore will be required for this purpose. So the backlog itself will require Rs. 14,240 crores. The 9.46 lakh Groups which have still not passed any grading will require Rs. 12,771 crore to be assisted through revolving fund and economic assistance. At the current poverty levels, if one member of each rural poor family is to be brought under SHG movement, then 18.34 lakh new groups will have to be formed and assisting them through revolving fund and economic assistance will require another Rs. 24,759 crore. The present guidelines provide Rs. 50,000 per group for capacity building and Rs. 10,000 per group for formation and strengthening groups. 35.52 lakh groups have to be given this assistance of total cost of Rs. 21,312 crore. **All in all, Rs. 94631 crore of grant under current levels of assistance under SGSY will be required, during the 11th Plan, if every rural poor family in country is to assisted through revolving fund and economic assistance. This is according to the existing SGSY scheme parameters. Annexure II gives the detailed break up. The Central share of this amount at 75% works out to Rs. 70,973 crores.**

On the directions of the Member, Planning Commission, the SGSY scheme is being restructured in order to enhance its effectiveness and delivery. A Retreat was held at Surajkund recently, where the essential issues were deliberated upon with the state governments and other institutions to elicit their varied views. A Drafting

Committee was constituted for redesigning the scheme which had several sittings. The first level of discussions have been carried out within the Ministry where the broad parameters of the scheme had emerged. They have been outlined in the preceding paragraphs. The requirement of funds for the redesigned SGSY scheme is not yet finalized and is being worked out. But it emerges from the experience of the AP model and other relevant studies, that an investment of Rs. 1 lakh per family would be required to successfully uplift a single family from below the poverty line. The Working Group has recommended that if all BPL families, i.e. 4.4 crores are targeted for poverty alleviation through SGSY, a total of Rs. 4.4 lakh crores would be required. Majority of the amount would go as infrastructure and credit support. But the Andhra Pradesh model suggests that about 25% to 30% would be required as subsidy or government grant. **Therefore, in the restructured SGSY format also, an amount of about Rs. 1 lakh crore would be required as GOI grant or subsidy if the poverty alleviation effort has to be executed and achieved through the SGSY alone and within the 11th Plan horizon**. **The Central share of this amount works out to Rs. 75,000 crores.**

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DR. AMAR SINGH
JOINT SECRETARY (SGSY)
TEL : 23382313

D.O. No.J.11013/02/2007-SGSY-I 21st June 2007

Dear

Kindly refer to the D.O. letter of even number dated 4th May, 2007 seeking your comments on the record note of the discussions held on 11th April, 2007 and the changes recommended in the Swarnjayanti Gram Swarojgar Yojana (SGSY). The purpose behind the revision is to speed up attainment of the objective of poverty alleviation of the rural poor.

The Ministry of Rural Development has constituted a Drafting Committee to consider revision of the parameters and guidelines of the SGSY. The members of the Drafting Committee have prepared the first draft of the proposed new scheme which is now available on the website of this Ministry (www.rural.nic.in).

You are requested to kindly examine the first draft of the redesigned SGSY scheme in the context of the record note of discussions sent earlier and offer your comments on the proposed modifications, specifically on the issues of subsidy, revolving fund, social mobilization, credit linkage, as well as the nomenclature of the scheme itself. I request you to furnish your comments to this Ministry for consideration as soon as possible.

With regards,

Yours sincerely

Sd/-
(Dr. Amar Singh)

Secretaries (RD)
All States / UTs.

I

THE RATIONALE FOR REDESIGNING THE SGSY

(The Case for launching a National Rural Poverty Elimination Programme)

The last decade has witnessed the Indian economy free itself of the conventional constraints from taking off into a rapid economic growth trajectory. It is now at an unprecedented summit as far as continuous growth is concerned. The consequent bolstering of government financial resources now affords the government a much awaited opportunity to break itself of yet another shackle, namely its inability effectively to achieve the long desired percolation of the benefits of growth to the hitherto excluded segments of the society, i.e., the rural Below Poverty Line population. The quality of a society is reflected by the manner and conditions in which its people live, its children are reared, its aged are taken care of and its sick are treated. A scrutiny of such circumstances today reveals a far from dignified quality of life for about 22 Crore rural Indians[1] thereby leaving the impression that the growth processes have not touched a vast majority of the rural population.

2. The experience in dealing with poverty and implementing programmes for ameliorating the BPL has not been uniform in all the states in the country. There are both inter-state and intra-state variations, arising from differential levels of initial conditions and the robustness of the delivery mechanisms. The co-existence of success stories and persisting failures is the continuing dualism in the country's rural development saga. At a policy level, the success stories offer us options for possible replication while the failures throw up aspects that need to be dispensed with. Development is essentially a human oriented process. As the 11th Plan commences, the country is at a turning point where we are compelled to depart from certain strait-jacketed norms and formulate new approaches based on implementation experiences, thereby leading to the realization of the accepted vision to eradicate poverty by year 2015. This is a historical opportunity that cannot be lost sight of.

4. The Swarn Jayanthi Gram Swarozgar Yojana Scheme (SGSY) is, by design, meant to create widespread income generating activities, through the empowering mechanism of self help groups, where group erhaul the basic weaknesses of the individual rural poor and present them as credit worthy and financially accountable units. Some performance enhancing features observed in the functioning of the scheme are:

(i) The scheme has been successful in delivering the outcomes in terms of poverty alleviation wherever capacity building and beneficiary mobilization have been carried out. Thrift, multiple lending, participatory process of identification and pursuit of economic activities have succeeded in states like Andhra Pradesh, Tamil Nadu and Kerala only because the basic processes had been grounded.

(ii) The higher performance parameter of multiple lending and increased quantum of lending have been achieved due to the

[1] NSS, 2004-05.

SHGs having been federated at different levels from the village to the district. With the emergence of a well federated organizational base, the SHG network has been observed to acquire dynamism and versatility in activity base in states like Kerala and Andhra Pradesh.

(iii) A set of organizations i.e., the organizations of the poor as well as the dedicated administrative structures have provided for carrying out the vision very well in certain states. So, the need to ground such structures is a sine qua non.

5. However, the successes have been confined to a limited area in the overall reach of the programme. As a consequence, the programme is at a crucial stage where:

(i) We may have two classes of states with differing requirements. While some states still are at the initial stages of social mobilization, the successful states have already moved on to the next generation issues. The advanced states are not only now capable of a sophisticated activity base and a self determined approach but are also in a position to mentor those states that are still undergoing the initial pangs.

(ii) Certain visible failures in the scheme have to be noted, especially in respect of special projects, which have displayed a poor record in implementation. Likewise, the inability of the implementing agencies to focus on the key processes of the SGSY such as provision of forward and backward linkages, inadequate attention to the key activities have also been observed by several evaluation studies.

(iii) It has also to be acknowledged that all members in a BPL family cannot become self employed swarozgaris. The variety in human ability and endowment, coupled with domestic livelihood compulsions necessitate that a few members of the family stick to farm based activity and others seek self employment or simply placement based opportunity. Interventions of all kinds would be required if we were to achieve the vision of a poverty-free India.

(iv) Rising economic growth has opened up potential for absorbing rural youth into various lower end trades in developed pockets. Hence there is a need to introduce a window for skill up-gradation and placement based programmes so that the BPL youth inclined for movement or new permanent wage employment are integrated with the mainstream of economic activity without any dependence on subsidy.

6. It is clear that a conscious attempt to tackle poverty alleviation in the changing economic and social profile as well as the differential experience of states, highlights the existing limitations and rigidities in the SGSY scheme as a single strategy for removal of poverty. When the components of quality life are many, the beneficiary base is heterogeneous and differential levels of preparedness exist in the implementation apparatus in the states, it is desirable to have a flexible guideline framework that accommodates the changing requirements and draws on the successes already achieved by certain states. Addressing a multi dimensional problem entails the design of a multi component policy package. Thus, there is a pressing need to revamp and restructure the SGSY scheme guidelines by introducing certain elastic features into it so that states can have the autonomy to custom make their own poverty alleviation strategy in accordance with the allocations set apart for them by the MoRD. As an alternative, it is necessary to launch a new programme that will, while building on the strengths of the SGSY, launch a comprehensively ordered effort to eliminate rural poverty.

7. As we step into the Eleventh Plan period, driven by the outcome of eradicating poverty by year 2015, a fresh, comprehensive programme for transforming poverty into quality life is the need of the hour. Indeed, the SGSY scheme needs a rechristening to a more appropriate, National Poverty Elimination Programme.

8. Taking stock of the successes achieved under the existing SGSY scheme thus far, it reveals a varied achievement pattern. About 26 lakhs SHGs have been formed so far, of which 17 lakhs have cleared Grade I of the process and 7.6 lakh groups have passed through Grade II. But only 4.55 lakh groups have been assisted for economic activity. Thus there are about 3.1 lakh Grade II SHGs waiting for economic assistance, which translates into about 3 million trained people in the wings. This pendency situation is compounded by the shortfall in credit off - take by the banks. It is mainly in states like Andhra Pradesh and Tamil Nadu that banks

have displayed considerable interest and are better prepared for the lending process but not in the rest of the country. Further, in terms of comprehensive coverage of the poverty stricken families, the achievement so far is only the tip of the iceberg. It has taken more than 10 years (taking into account the earlier effort under the DWCRA) to create 26 lakhs SHGs and in order to complete the coverage of all the remaining BPL families in rural India, another about 20 lakhs SHGs need to be formed, which is clearly a long drawn out task in the light of not only the resource availability but also the delivery systems in existence at the moment. It may not also be missed that under the current SGSY guidelines, a significant participation of upto 20% is allowed for the Above Poverty Line population as well. So a good number of APL have also been brought into the SHG net which numbers would have to be excluded from the overall achievement figures under the SGSY. When this is placed alongside the other reality of multiple doses of credit (which are essential for sustainable growth of economic activities of the assisted SHGs) not being readily available and the current pendency of SHGs awaiting bank credit, it emerges that the scheme thus far has not yielded the real value for money, for the government, the beneficiaries as well as the banks. The uni-focussed self employment route in its current method of implementation will not be able to address the requirements of more than 20 lakh BPL families awaiting a means to a quality life.

9. Quite unequivocally, the hard fact about poverty elimination is that a self-employment programme targeting one member per BPL household is not the panacea for elimination of the rural poverty phenomenon by 2015. The distinction between elimination and alleviation ought to be brought out more directly this time round, so that we do not go on indefinitely making cursory or tentative efforts but confront the issue more courageously than we have done all these years. Self employment *per se* does not constitute a holistic solution to uplifting a BPL family from its plight. If providing quality life for the rural poor is the vision, then there is an immediate need for a multi faceted policy package implemented through a dedicated administrative machinery. The policy measures should not just be that they address only the proactive component of poverty elimination, but also remove the pressure points on the poor that weigh them down due to miscellaneous policies and programmes that either stifle them or do not factor them. The complexity, dimension and nature of poverty in India and the uniqueness of the context itself with all the dualisms and variety call for a specialized implementation mechanism that is dedicated to the task. Presently the DLDAs are overburdened and required to perform a plethora of duties,

ostensibly for the same or related goals but in a manner that spreads administrative attention thinly across schemes. Besides, poverty by its very own nature is complex and its elimination cannot but be a specialist job. The DLDAs, originally created for the implementation of the IRDP have over the years become responsible for implementing a plethora of programmes such as the SGRY, IAY, etc. that took their principal focus away. Besides, the competence of the DLDAs to address the complexities involved in the poverty elimination effort also has been questioned by various agencies and poverty specialists. Therefore it is imperative to acknowledge that a commitment to human upliftment necessitates a committed delivery machinery with exclusive mandate. This dedicated machinery which is a *sine qua non* for the realization of the vision needs to be created at the National, State and District levels with a fully accountable chain of functionaries. The successful implementation of the PMGSY has actually become possible because of the fact that an exclusive agency NRRDA had been created to realize the objectives of the PMGSY.

10. Finally, the exercise of poverty alleviation requires to be integrated into the micro context of its existence. In its existing form, while one initiative attempts to address a specific requirement, there is always another variable that pulls the BPL person back into the poverty trap. Identification of the crucial element that would uplift a person from his circumstances would be direct and automatic if the programme itself is demand driven, rather than being allocation driven or policy maker driven. A demand driven approach covering wage labour, self-employment, placement employment or any viable means of livelihood will lead to the better deployment of resources A demand driven strategy, ultimately will also accord greater respect to social choice.

11. To conclude, the challenge of eliminating rural poverty by 2015 is a monumental one, necessitating a paradigm shift in terms of policy responses. There is a compelling and pressing need to launch a highly focused, objective oriented and a flexible programme by the name National Rural Poverty Elimination Programme (NRPEP).in a manner more appropriate to the local context and the current needs of the poor.

II

SOCIAL MOBILIZATION :

BUILDING ORGANISATIONS OF THE POOR

The experiences of various Poverty Elimination Programmes across the world have demonstrated that organizing the rural poor into Self Help Groups (SHGs) and their federations through the process of social mobilization, enhancing their skills in mobilising and utilisation of funds and managing their own institutions is critical for enabling the poor to enhance their incomes and lead a better quality of life. The experience of both Andhra Pradesh and Kerala, where social mobilisation has taken place on a massive scale has proved that multidimensional issues of poverty could be addressed widely and effectively by building organisations of the poor only. Promotion and building the capacities of SHGs and their federations, with required sensitive support mechanisms in place would facilitate poor to overcome income and social poverty and voicelessness. This approach is required all over the country.

Considering the experiences and lessons learnt from various development projects, National Rural Poverty Elimination Programme aims **to promote and strengthen member owned, member controlled and member managed institutions of the poor that enable them to secure sustainable livelihoods and better quality of life. These institutions will provide a wide range of services to their members as per their demand.** The programme will **promote and nurture a large cadre of activists and leaders from the poor for providing support services to the institutions of the poor on a sustainable basis".**

Social Mobilization

National Rural Poverty Elimination Programme will focus on organizing the poor at grassroots level through a process of social mobilization for poverty elimination. The NRPEP approach for organising the poor stems from the conviction that there is an immense desire and latent capability within poor to come out of poverty. They have a tremendous potential to help themselves and the potential of each member can be harnessed by organizing them. Social mobilization enables the poor to build their own organizations in which they participate fully and directly and take decisions on all issues concerning poverty elimination.

The experiences of Poverty Eradication Programmes across the world have proved that social mobilization does not happen in a vacuum; it would have to be induced. An External Catalytic Agency, which has strong pro-poor attitude and proven track record in Poverty Eradication, is crucial for social mobilisation and building the institutions of the poor. It needs to have profound faith in the capacities of the poor and should be willing to work intensively for them. To enable the organisations of the poor to become self-reliant, the External Catalytic Agency should constantly re-orient its role by transferring the responsibilities to the organisations of the poor according their growth and development. The External Catalytic Agency (ECA) could be either an autonomous Society established by the state Government or a Civil Society Organisation or a Community Based organisation or a Local Self Government. The experiences of Andhra Pradesh and Kerala confirmed that an ECA established by the state Governments could address the poverty related issues effectively, even on a large scale.

The District Level Designated Agencies are expected to initiate and sustain the process of social mobilization for poverty eradication by formation, development and strengthening of the Self Help Groups (SHGs). Issues that are central to poverty eradication should become entry points for organising the poor into SHGs. The experiences of various agencies have demonstrated that the groups that are formed with thrift and credit as an entry point are very effective for enabling the poor in securing greater access to credit and other support services to enhance their income levels. The thrift and credit activity binds the members of SHGs and acts as a safety net mechanism for the poor.

Self Help Groups (SHGs)

SHG is a small homogeneous group consisting of 10-15 members with similar socio-economic conditions, living in the same village or neighbourhood, coming together on a self selection basis for sharing their common concerns, pool their own resources (both financial and non-financial) and work together for their personal, social, economic and political development. They agree to save regularly and leverage external capital in order to create financially viable and sustainable Common Fund known as the Group Corpus. The members of the group agree to use this common fund and such other funds that they may receive as a group through a common management for meeting their credit requirements. The SHG will generate its income by collecting interest on loans given from their own corpus, penalties and interest margins on loans accessed from external sources.

The group will frame its norms that are essential for administrative and financial management, select 2/3 office bearers (President, Secretary and Treasurer), open an account on group's name in the nearest bank branch and nominate Office Bearers to act as signatories. The SHG should maintain Books of accounts with support of a Bookkeeper who belongs to the same group or the same village. The Bookkeeper should write books of accounts during the SHG meetings only. The SHG has to pay honorarium to the SHG Bookkeeper from their group corpus fund.

To meet greater credit requirements of the members and facilitate SHGs to meet their priority needs, District Level Designated Agency will provide Poverty Elimination Fund (PEF) to the SHGs of the Poorest of the Poor and Poor (not to members). The SHGs will utilise this fund for on-lending to its members. The conditions for the groups to be eligible for PEF are as follows:

- Regularity of meetings (Weekly/fortnightly)
- Regularity of savings (Weekly/fortnightly)
- Regularity of internal lending (Weekly/fortnightly)
- Regularity of repayments (as per members family monthly income & cash flows)
- Regularity of Bookkeeping (weekly/fortnightly)
- Minimum age of 6 months

The PEF will enable the SHGs of Poorest of the Poor and the Poor in demonstrating their credit worthiness and accessing loans from Commercial and Regional Rural Banks.

As Social mobilization and community organization is a process oriented approach, the group formation should not be driven by any target but lend itself to a 'Process approach.' The SHGs should internalise the concept of "Self-Help".

i) Prior to formation of groups, a list of eligible members have to be prepared and for this purpose the list of BPL Households identified in BPL census could be considered under the NRPEP.

ii) Generally a self-help group may consist of 10 to 15 members. However, in difficult areas like deserts, hills and areas with scattered and sparse population and in case of persons with disability, this number may vary from 5 to 15.

iii) Generally all members of the group should belong to the families below poverty line. The APL members who are included in the groups with the acceptance of BPL members shall not be eligible for financial benefits under the programme and shall not become Office Bearers (President, Secretary and Treasurer) of the SHGs or their federations.

As various Government departments and Civil Society Organisations have been involved in SHG promotion, the District Level Designated Agency can act as a nodal agency for developing the data base of SHGs formed by various promoting agencies under different schemes. The District Level Designated Agency has to ensure that all SHGs irrespective of promoting agency shall access their entitlements based on their performance track record, and conforming to the NRPEP guidelines.

The experiences of various development programmes and Civil Society Organisations revealed that regular facilitation in the scheduled meetings for a period of 2-3 years coupled with structured capacity building inputs are essential for enabling the SHGs to become strong, dynamic and vibrant. Hence, apart from providing regular facilitation support in the SHG scheduled meetings, the facilitators shall conduct 3 days structured trainings to SHG members and office bearers at the village level on various issues as given in the **annexure – 1**. Also the facilitators have to plan exposure visits to resource groups within the cluster/district/out side the state. Regular induction and refresher trainings should be organized for the SHG bookkeepers and regular auditing of SHG books accounts should be done at least once in 3 months.

<u>Federations of SHGs at different levels:</u>

The SHGs can be further strengthened and stabilized by federating them at, say village or cluster of villages or block level depending upon the no. of Self Help Groups and their spatial distribution. The facilitating agencies have to follow "the principle of subsidiarity" while promoting federations at different levels and ensure that each tier has its autonomy and clear roles and responsibilities. Care should be taken to see that the functions of each tier strengthen the other. The federations shall be formal organisations registered under the most appropriate act (Societies Registration Act, State cooperative Act, Trust, Mutually Aided Cooperative Societies Act or Mutual benefit Trust) that exist in the state.

Village Level Federation (VLF):

The second tier of Institution Building phase is the federation of SHGs either at Village/cluster of village's level. Once 50% of BPL members in a particular village/habitation come into SHG fold and their SHGs reach a reasonable level of maturity, this tier gets initiated. The VLFs are vital for demonstrating solidarity, initiating collective action on various poverty related issues and reducing dependency on the external agency for information, technical support and resolving conflicts. It enables the communities in harnessing their potential effectively.

The VLF operates as a forum to voice the problems of the poor in the village, exchange of experiences including flow of information from various Govt. Departments, and raises resources required to take up the appropriate development interventions in poverty reduction. It brings all BPL families into group fold and monitors the performance of member SHGs. This is the forum where the National Rural Poverty Elimination Funds (NRPEF) are incorporated and assisted in the implementation of Micro Investment plans (MIPs)[2] of SHGs and VLFs. The VLFs may also access the bulk loans from banks to take up activities like food security, economic and social activities and on - lend to its member SHGs. The VLFs will aim at building linkages with line departments and other agencies to access the entitlements of the poor. The VLFs by virtue of their number and strength can afford to appoint their own staff for Social Mobilisation and Institution Building, maintenance of books of accounts of VLF and auditing of SHG books of accounts and provision of technical support. It generates income by collecting share capital, membership fee, savings, interest margins and penalties and become financially sustainable in a period of 3-4 years. The indicative structure of VLF is given in the **annexure – 2.**

Based on Micro Investment Plans (MIP) of VLFs, District Level Designated Agency shall sanction Poverty Elimination Fund (PEF) to VLFs for on-lending to SHGs and take up productive activities like food

[2] "Micro Investment Plans (MIPs)" is basically an investment plan prepared by SHG members in consultation with their family members, consolidated at SHG level for doing the appraisal of all the activities proposed, prioritizing the loans based on member's economic status and viability of the proposed activity, developing a fund rotation plan to ensure that all members will get required loan amount for initiating Micro Enterprises. MIPs will get consolidated at different levels based on fund availability viz., SHG, VLF and BLF. MIP's can be prepared by VLF's and BLF's also for initiating economic activities on a collective basis. More details on MIP is given in the Chapter - 3

security, marketing, dairy etc at VLF level. The following eligibility criteria shall be used for providing PEF funds to VLF:

- Coverage of more than 75% of BPL families into SHGs
- Induction of more than 80% of the existing SHGs
- Minimum age of 6 months
- Regularity of meetings (Quarterly General body meetings & Monthly Executive Committee and Functional Committees meetings)
- Regularity of savings by SHGs at VLF level (monthly)
- Regularity of internal lending (monthly)
- Regularity of repayment (monthly)
- Regularity of bookkeeping and internal and external audit (Bookkeeping in all meetings, quarterly internal audits and half-yearly external audits)
- Performance track record of member SHGs

The facilitators shall ensure that irrespective of promoting agencies, all SHGs especially POP and poor that exist in the village take membership in VLF by paying membership fee and share capital. If VLFs promoted by other agencies already exist, District Level Designated Agencies should not promote new VLFs. District Level Designated Agencies shall recognize these VLFs, encourage the SHGs promoted under NRPEP to join in the existing VLF and provide funds as per their entitlements based on their performance track record.

Ideally one VLF would be facilitated in each habitation. VLF could be co-terminus with Gram Panchayat. But where the no. of groups is less than five, a small group of habitations could come together and form themselves as a VLF. In big villages where more than 25 SHGs exists, more no. of VLFs could be promoted so that the needs of the members could be met.

For strengthening of VLFs, the facilitator has to prepare a calendar of VLF meeting dates, place and time, attend and facilitate the monthly meetings of VLFs regularly for 3-4 years. One model VLF could be developed in each cluster and use that resource VLF for demonstrating the best practices. Apart from providing regular facilitation support in the scheduled meetings, the facilitator has to conduct 3-7 days of training to VLF on various issues as given in the **annexure – 3**. Also exposure visits shall be conducted for the resource VLFs. The VLFs will be educated on the role of various Village Level institutions and provide time in their regular agenda for inviting Village level institutions like PRIs, Anganwadis, and ANMs etc. The VLFs should be facilitated to register under most appropriate Act that exist in the state and conduct regular general body meetings, internal and external audit and submission of annual returns to the authorities concurred.

Block Level Federation (BLF):

After forming VLFs in at least more than 50% of the villages of the block, and once the VLFs attain a certain level of maturity, the Block Level Federation will be promoted. The Block Level federation provides solidarity to all the VLFs and SHGs. It plays a vital role in bringing all the BPL families into the SHG fold, building the capacities of the SHGs & VLFs, framing required policies and ensuring the quality of institutions etc. BLF is very essential in meeting the greater credit requirements of the members by on-lending loans to member VLFs and taking up both economic (Marketing, skill development, jobs) and social activities (gender, child labour, social discrimination, disability) that cover more than one village. The BLF will generate income by collecting membership, share capital, savings, interest margins, penalties, resource fee and service fee. As BLF is positioned at a higher level (Block), it enables poor in liaising with various line departments and accessing their entitlements. It reduces the dependency on the ECA and takes the responsibility of sustaining various activities initiated during the programme period for poverty elimination and put concerted efforts for the social and economic development and empowerment of communities on a continuous basis. The block level line department officials should be sensitized and encouraged to participate in the BLF's meetings as per the time slot given to them. The indicative structure of BLF is given in the **annexure – 4.**

Based on Micro Investment Plans (MIP) of BLFs, District Level Designated Agencies shall provide Poverty Elimination Fund (PEF) to the BLFs for on-lending to VLFs and take up productive activities like food security, marketing, dairy, etc. at the BLF level. The following eligibility criteria shall be used for providing PEF to the BLF:

- Coverage of more than 75% of BPL families into SHGs
- Formation of VLFs at least in 75% of the villages/habitations
- Induction of more than 80% of existing VLFs
- Minimum age of 6 months

- Regularity of meetings (Quarterly General body meetings & Monthly Executive Committee and Functional Committees meetings)
- Regularity of savings by VLFs at BLF level (Monthly)
- Regularity of internal lending (Monthly)
- Regularity of repayment
- Regularity of bookkeeping and internal and external audit (Bookkeeping in all meetings, quarterly internal audits and half-yearly external audits)
- Performance track record of member SHGs and VLFs

Ideally one BLF should be formed in every block covering 1000 to 1200 SHGs. The facilitators shall ensure that irrespective of who promotes them all VLFs that exist in the block, take membership in the BLF by paying membership fee and share capital. If BLFs promoted by other agencies already exist, District Level Designated Agency should not promote new BLFs in that block. District Level Designated Agency will entrust the responsibility of formation and strengthening of SHGs and VLFs with left over BPL families in that particular block to the existing BLFs. District Level Designated Agency shall recognize these BLFs, encourage the VLFs promoted under NRPEP to join in the existing BLF and provide funds as per their entitlements based on their performance track record.

Similar to strengthening of VLF, apart from providing regular facilitation support in the scheduled meetings for 4-5 years, the facilitator has to conduct 5-10 days of structured training to BLFs on various issues as given in the **annexure – 5**. The block level Line department officials should be sensitized and encouraged to participate in the BLF meetings as per the time slot given to them. The BLFs should be facilitated to register under most appropriate Act that exists in the state and conduct regular general body meetings, internal and external audit and submission of annual returns to the concerned authorities.

<u>Strengthening the Organisations of the Poor:</u>

Institution building requires intensive and consistent efforts for a period of 4-5 years and it also requires scale for developing federations and enhancing the bargaining power of communities. Achieving quality and scale simultaneously will be difficult. Hence District Level Designated Agencies are advised to adopt a two track approach i.e. intensive and extensive approaches for strengthening the institutions of the poor. The District Level Designated Agency will initiate the NRPEP activities in a phased manner in different blocks. The District Level Designated Agencies shall identify few blocks (based on specific criteria) for intensive approach in the initial period and develop resource SHGs and VLFs either with support of community resource persons (CRPs)[3] or through its staff. In the extensive approach the staff will conduct training by using resource groups/federations and provide limited nurturing and handholding support to SHGs and their federations. The indicative strategy and plan is given in the **annexure – 6.**

To sustain the various activities initiated during the programme period for poverty elimination and put concerted efforts for the social and economic development and empowerment of communities on a continuous basis, there is a need to think about strengthening and sustainability of the institutions of the poor viz., SHGs, VLFs and BLFs. The experiences across the country have shown that facilitators working closely with the communities at grassroots level can play a critical role in promoting, strengthening and sustainability of the institutions. To develop a mechanism for providing continuous facilitation support to all the SHGs at the village level, a Community Activist @ 20 to 25 SHGs from amongst active and dynamic SHG members and one VLF Bookkeeper should be identified, trained and positioned by the Village Level Federation. These VLF staff may be paid based on the quantum of work initially from the NRPEP funds. When VLF is able to earn reasonable incomes, it should pay the honorarium of VLF bookkeepers and Community Activists (CAs) from its own income.

To operationalise the Institution building strategies and manage the programme, the block may be divided into clusters covering 30-40 villages each. In difficult areas like deserts, hills and areas with scattered and sparse population, the State Level NRPEP Committee may decide the no. of villages to be covered in a cluster based on geographic convenience. In order to provide facilitation support to all the VLFs at the Block level and supportive supervision to CAs at SHG level, Community Facilitators (CFs) @ one per 10 to 12 VLFs from amongst active, dynamic and educated (minimum 12th class passed) Community members, preferably from the same cluster should be identified, trained and positioned by the Block Level Federation. The BLF should identify and position one Area Coordinator for every cluster for nurturing &

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[3] Community Resource persons are the SHG members from best groups, who have demonstrated the best practices viz., regular attendance to meetings, regular saving and loan repayment, taken loans at least more than Rs.50,000/- cumulatively, invested in income generation activities and demonstrated that she/he can came out of the poverty. CRPs can be developed with in the state by taking good members from 10-15 years old and experienced SHGs, or from other states.

providing hand holding support to CFs and coordinate with line departments and banks. The minimum qualification required for Area Coordinator is post graduation preferably social sciences. To nurture and handhold BLFs, provide supportive supervision to Area Coordinators and coordinate with line departments and banks, one Block Coordinator (BC), who is a post graduate preferably in social sciences with minimum of 3 years of relevant experiences should be appointed for every BLFs. Also BLF shall appoint its own Accountant.

Over a period of 7 to 10 years the Block level organizations would be able to meet their operational cost including the staff salaries from its own revenues. To enable Block Level Federations to become self-managed and financially sustainable, required PEF shall be given to BLFs over a period of time.

Capacity Building:

NRPEP has an important mandate to enhance the capacities of the poor to enable them to succeed in the goal of making their grassroots organizations self-reliant and self-managed. Capacity-building (CB) is the process by which the ability of the target communities to plan and manage development programs, and influence the economic and social environment in which they are implemented is enhanced; and those of the staff of governmental and non-governmental agencies to facilitate such efforts is improved. The District Level Designated Agencies have to develop context specific CB strategies, training calendars and ensure that organisations of the poor receive quality CB inputs. The steps and methods of capacity building and content to be delivered are given in the **annexure – 7**.

The state level organization (elaborated elsewhere) shall play verty important role in developing the required training infrastructure for providing technical inputs to districts, coordinating and ensuring on-time effective implementation of all project activities. Small thematic resource teams for Social Mobilization, Financial management and accounting, linkages, networking, and legal issues with individual professionals and relevant institutions will be established within the state level organization.

At the district level, under the leadership of Project coordinator and district technical specialists, small thematic resource teams with experienced individual professionals, Civil Society Organisations and relevant institutions will be established for different themes. These teams are responsible for development of data base on participants profile, Identification of capacity building requirements, designing and conducting context specific training programs, Capacity building events, success stories, etc. follow-up of training, process documentation, documenting.

As the facilitators play a critical role in the social mobilization and Institution building, appropriate capacity building inputs have to be planned and to be given to both field level staff and staff of District Level Designated Agencies. The indicative list of components for staff training is given the **annexure – 8.** Conducting immersion programmes and exposure visits is very effective in changing the attitudes; inspiring people to learn and replicate best practices across the country. Hence, the staff of the District Level Designated Agencies as well as at field level should be exposed to other districts or other states where the successful CBOs exist.

During the course of strengthening of institutions large no. of social capital viz., active, dynamic SHG members, leaders, community activists, bookkeepers, best practioners in various sectors (Community Resource Persons) will emerge from the communities and they will be very effective in spreading the messages and information across the state. Hence a systematic plan has to be worked out for promotion and utilization of services of such people in social mobilization and Institution building.

III

FUNDING COMMUNITY LEVEL INVESTMENTS

Fund mobilization, for various activities undertaken by the individuals as also for the common activities that village federations, has to be done systematically. Investment planning by households and their consolidation at SHG level is described under Micro Investment Plan. Financing strategy has been dealt with separately under "Financing from Poverty Elimination Fund and Capitalization of SHGs and their federations", and "The Role of Banks".

Micro Investment Plan (MIP)

MIP at SHG level is the list of activities that members would like to take up and the cost of implementing these activities. It is an integral part of the financial management process of SHG. Members do self assessment of their SHG based on regularity in savings and internal lending of funds, book keeping, and regular meetings before further planning. As such it is an active microfinance process that seeks to seamlessly integrate social mobilization / institution building processes with that of livelihood enhancement at individual or community levels. MIP is a seven step process involving:

1. Household Investment Plan

Since MIP is envisaged as a comprehensive tool to improve the levels of income and quality of life of members of SHGs and overall functioning of Self Help Groups and their federations, the members are to be sensitized about the process. Initially most of the loans taken by the members are for consumption purposes and to meet contingencies.

MIP aims at orienting the members towards Income Generating activities. Discussion with family members about the activity they want to pursue is the first step and the decision should be collective. The proposed activity should augment the income of the family while existing economic activities pursued by the family are continued. Generally groups are homogeneous(BCs, SCs or STs may be predominant in each group) and livelihood activities chosen by members for financing are predominantly traditional family activities like agriculture, sheep rearing, basket making, weaving, stone cutting, cattle rearing, pottery, edible, oil extraction, tailoring etc. Therefore, it can be rightly called as Household Investment Plan.

2. Understanding the socio-economic status and needs by members

In this stage the group members identify the socio economic status of each member themselves. This is unique in CBOs as the members discuss each member's income and expenditure and identify the economic vulnerability. The rankings given by them are without dispute and bias and bear stamp of unanimity. The socio–economic information should include such critical factors such as income, assets and liabilities, needs and problems, number of earring members and dependants, single women, physical disability amongst the members in their family, if any, health problems, livelihoods and opportunities, skills, saving capacity, social backwardness, literacy etc.

3. Appraisal of socio-economic status and wealth ranking by members

By the end of the analysis in step two, the members are categorized into three groups i.e. poorest of the poor, poor and others; based on their poverty status. Within these groups members from marginalized communities are ranked first. Therefore ranking of the members is based on socio-economic status – if the member is from a marginalized community and also the poorest of the poor she will be ranked first. Those who are ranked first are the ones to get financial assistance first. In other words, relatively better off people wait until most vulnerable members receive assistance. This order of priority may change in special circumstances taking into account other factors such as households emergencies like sickness, likely expenditure on medical treatment etc.

4. Appraisal of Needs by members

On completion of the ranking of the members, the members put-forth their credit needs to implement their Household Investment Plan. These are called Household Investment Plans (HIP) because all the family members decide upon the activity/ies. This envelopes the skill sets of the family members and a consensus to cooperate and participate in the income generating activity proposed. The whole exercise aims at augmenting the family income, reducing expenditure and risk. The needs may also be of any type and magnitude, including consumption, productive activities and investment purposes.

The HIP may have the economics of the activity worked out along with repayment plan, time frame and cash flows. The group shall collectively examine all aspects and facts of each proposal.

5. Consolidation of needs and setting priorities

The members' needs thus finalized and appraised as above shall be included in the Micro Investment Plan of the group. This amounts to the approval of all the members of the group. The needs are prioritized based on the poverty ranking, besides the seasonality of the activity.

6. Financing the investments

The sources of funding MIP are SHG's own funds, Poverty Elimination Fund (PEF) and Bank finance. Banks directly lend to SHGs for implementing MIPs. When MIPs are prepared by the SHGs and submitted to the Bank, the unit cost norms are not applicable. Member borrows from its SHG for implementing Household Investment Plan and repays the loan amount in full on agreed terms and conditions. The repayments are also used to finance the next person in rank. Once the needs of all the members are financed, the second MIP of the group may be prepared and financed in a similar manner.

7. Evolving terms of Partnership

During the appraisal and approval phase of the loan, certain conditions that are directly related to loan repayment such as interest rate, repayment period, penal interest etc are stipulated. However, at the time of disbursement of loan, an understanding between the group and the member on conditions stipulated will be reduced into writing. This is known as 'terms of partnership'.

The 'terms of partnership' may be between the group and the member and between the federation and the SHG. The terms of these agreements bind either party to abide by and fulfill certain obligations like acquiring assets for the value of the loan, insuring the asset wherever applicable, adhering to repayment schedule, and pay the agreed rate of Interest etc

MIP of a typical SHG having 12 members: All the members come out with Household Investment Plans (HIP) with investment ranging between Rs 5,000 and Rs 15,000. Total Investment is Rs 120,000 and an average investment per household is Rs 10,000. Members discuss their socio-economic status and rank themselves with most vulnerable member ranked first. All the HIPs are consolidated – the consolidated statement is the MIP of SHG. MIP is submitted to the bank and also to their federation for raising loans to implement the MIP. SHG has Rs 20,000 of its own, bank approves a loan of Rs 40,000 and their federation approves a loan of Rs 20,000. Therefore, they could mobilize Rs 80,000 for implementation of MIP. This amount is not sufficient for implementing all HIPs. As per the ranking, first eight members avail loan for implementing their plans. Generally members repay to their SHG in 20-24 monthly installments and SHG to the Bank and their federation in 48 -60 monthly installments. Therefore, more than 50% of the recoveries from members remain at SHG. Once the adequate amount is accumulated, the 9th member avails loan. This process continues till all the members get loans. Once the HIPs of all the members are funded, they prepare another MIP on the similar lines and raise funds for implementing it.

III-2: <u>Financing from Poverty Elimination Fund (PEF) and Capitalization of SHGs and their Federations</u>

Poverty Elimination Fund (PEF) is a key component of the NRPEP. It provides resources mostly for the implementation of MIPs of SHGs and also for village level activities that would benefit large number of households in the community. These activities are productive and result in raising income levels, lowering expenditure, reducing risk and promoting wage employment opportunities in the village.

PEF is provided to the institutions at three levels – SHG, Village Level Federation (VLF) and Block Level Federation (BLF). PEF is released to SHGs in a village and VLF to begin with and subsequently to the BLFs as and when such institutions emerge[4]. A certain portion of the PEF is earmarked for SHGs and VLF based on the population of the poor households in the village. Only when adequate amount of PEF has

[4] Indicative amount: 30% of SHGs under VLF with Rs 10,000 each, for VLFs Rs 150,000 to Rs 250,000 @ Rs 1500/BPL household in the village, for BLF Rs 150,00,000 to Rs 250,00,000 @ Rs 1500/ BPL household in the block.

reached these institutions, BLF will be provided with PEF. The essence of providing PEF at village level is to adequately capitalize these institutions to leverage this fund for accessing external finance. PEF will also help SHGs in demonstrating their members' bankability by prompt utilization, recycling and repayment of the fund. SHGs, in addition to using their PEF, will access loans from their federations for implementing their MIPs and repay the same with agreed terms and conditions to their federations.

Appraisal of MIPs by VLF:

VLF gives preference to PoP SHG. To ensure this VLF does wealth ranking of SHGs and such ranking is based on poverty status of the members in the SHG - PoP, Poor and other (when more than 50% of the members are PoP, then the SHG is PoP SHG). VLF will also appraise the SHGs on following aspects:

Status of SHG:

Assessment of SHG based on regularity in savings and internal lending of funds, book keeping, regular meetings etc.

Financial Viability:

Financial viability is about the return to the immediate beneficiaries. The MIP would be checked for financial viability related to economic activities proposed by members.

Commercial Aspects:

The commercial aspects of the MIP will look into the mechanism for forward and backward linkages. It examines the arrangement for procurement of various inputs and services besides the arrangement for marketing of outputs produced by the beneficiaries.

Capitalization of federations:

Capitalization of SHGs and their federations is very essential to bring sustainability to these institutions. Capitalization provides much needed flexibility for developing new financial products and test risky products. It is available for need based financing. The major source of financing at federations will be PEF in the beginning and subsequently the corpus built on PEF repayments with interest and other grants and income. PEF and interest earned will be the major source of capitalization of federations. With mutual understanding and agreement, Village federations may transfer the PEF received in excess of their entitlement to their block level federations in due course. Capitalization of block federations is very important for the sustainability of not only the block federation but also of the village federations. Block federations are expected to provide continuous support to village federations in terms of their capacity building and fund needs for pursuing common beneficial activities for the entire village, for example, providing loans for food security initiatives and marketing of their produce.

IV

BANK FINANCE STRATEGIES AND ROLE OF BANKS

Mobilization of bank credit is crucial for accomplishing investment goals under NRPEP. Experience has shown that the flow of bank credit under subsidy linked credit schemes is severely impeded by procedural bottlenecks, sub-optimal subsidy administration and misaligned incentives for various stakeholders. Expansion of SHG-Bank Linkage Program during last few years provides several useful examples of successful partnerships between government agencies, non-governmental organizations and banks. Encouraged by the interest of the banks in expanding micro finance portfolio in rural areas, two strategic changes have been proposed under NRPEP. Firstly, bank credit dispensation has been simplified by removing the subsidy link. Closely linked to this is the second decision to do away with target approach in favour of process approach.

The salient features of financing arrangements under NRPEP are:

a. Banks to treat NRPEP as mainstream business opportunity and view Self Help Groups formed under the program as business clients. This would provide incentive to banks maximize the business potential in Self Help Groups and extend credit support on continuous basis.

b. Banks will make independent assessment of strength of Self Help Groups to extend financial assistance. Needless to add, such financial support is not contingent upon the availability or the release of Poverty Alleviation Fund.

c. Banks may internalise Rating Index as an appraisal tool for assessing credit worthiness of Self Help Groups;

d. The NRPEP will follow two broad strategies for mobilizing bank finance:

   i. **Financing Self Help Groups:** Micro Investment Plans prepared by the Self Help Groups shall be the basis of bank financing. It is evident from the field practice that, in the initial stages of group development, such plans contain in good measure the financial requirements of the members for meeting social needs. And as the groups mature, the income generating activities become apparent in their plans. This organic process must be respected while financing different doses of bank credit. Banks may determine the quantum of financial assistance based on the credit worthiness of the Self Help Groups and Micro Investment Plans submitted by them. For the initial dose, the bank finance may be **subject to a minimum of Rs.50,000 per SHG.**

ii. **Financing Cluster Based Projects:** For cluster based activities where elaborate arrangements for strategic supports like training, infrastructure and market linkages are assured, a banking plan approach may be adopted for supporting household and community level investments in a comprehensive manner. Banks may examine the techno-economic feasibility of the project and extend concurrent financial assistance for undertaking specific individual/household based activities through their respective Self Help Groups based on updated/supplementary Micro Investment Plan. Wherever considered necessary financial assistance may also be extended to VLF/BLFs for meeting working capital needs of community level initiative after due scrutiny of credit requirements.

e. Each VLF and BLF will constitute a Bank Linkage Committee to facilitate bank linkages, monitor use of bank funds and support recovery of bank dues. Notwithstanding these arrangements, the DLDAs will undertake primary responsibility in facilitating and recovery of bank finance. Further the banks may decide to suspend financial assistance in any village and/or block where the recovery falls below 80% under NRPEP.

f. Banks may take advantage of social capital and unique community architecture proposed under NRPEP to promote financial inclusion and financial literacy agenda among weaker sections.

g. Success of the process-oriented approach depends much on exchange of real time information and coordination mechanism. It is considered immensely useful to integrate the participatory processes and structures embedded in VLF/BLFs with the coordination mechanisms.

h. Representatives of VLFs/BLFs, particularly Bank Linkage Committees shall be included in Block Level Bankers' Committee to gain perception of community aspirations and issues involved in successful implementation of NRPEP.

i. District Level Designated Agency shall conduct strategy meets, training programmes and workshops for bank officials on regular basis to expose them to the various poverty initiatives taken up by Self Help Groups and help them identify business opportunities.

Role of Banks

a. Facilitating banking operations: The role of banks commences right from inception of Self Help Groups and their Federations. The banks shall open savings accounts for Self Help Groups and VLF/BLFs (unregistered/registered) and facilitate banking operations. State level NRPEP may facilitate consensus on the broad KYC and operational norms for these savings accounts. Banks may consider obtaining the support of Bank Linkage Committees at VLF/BLFs to create help desks in each branch for facilitate banking transactions by Self Help Groups and their Federations.

b. Rating of Self Help Groups and VLF/BLFs: Banks may involve themselves in the rating effort right from design stage. NABARD has developed Rating Index (Annexure-9) that is broadly acceptable to all stakeholders including financing banks. The banks may internalise ratings in their appraisal methodology. This helps in validating the effort of promoting agencies even while simplifying the appraisal process within banks.

c. Financing under NRPEP: The financing under NRPEP will take two forms. The first form of financing is extending direct credit assistance to Self Help Groups for their Micro Investment Plans that cover variety of activities, including social needs. The second form is financing Self Help Groups or their Federations for specific economic activities on cluster basis. The financing methods under the two approaches are indicated below:

   i. Financing Self Help Groups: The norms for financing Self Help Groups under NRPEP include the following:

      a. Eligibility: Self Help Groups should have track record of participatory meetings, savings, credit, repayment and record keeping for at least six months. They should have also been placed in 'A' category as per the Rating Index.

      b. Preparation of Micro Investment Plans: The groups shall prepare a Micro Investment Plan clearly prioritising the needs of each member household together with the size of investment. The plan will also include a fund rotation plan for recycling the recoveries received from the members before the bank loan is fully repaid. It may be made abundantly clear that unit cost of each activity is left to the discretion of the groups and not prescribed by outside agencies including banks or District Level Designated agencies.

c. Quantum of Loan: The banks will decide upon the quantum of loan based on the Micro Investment Plans and the fund rotation plan submitted by them. The extent of finance in first instance shall not be less than Rs.50000/-. Banks may increase the quantum of loan with every dose based on the track record of previous loans, rating of the group and increasing proportion of income generating activities in Micro Investment Plans.

d. Multiple doses of credit: Under the financing mechanism, the banks are expected to provide continuous flow of credit to the groups and nurture them as business clients. Successful repayment of each dose of loan by a Self Help Group shall establish credit history of the group and enhance its credit entitlement.

e. Security norms: The loans made by banks under NRPEP will be treated as advances to weaker sections and hence no margin/security is required for the purpose.

f. Repayment Period: The loans to Self Help Groups are treated as medium term loans with minimum repayment period of five years, which could be progressively increased with enhancement of credit quantum. However, the principle for fixing loan instalments is based on the need to allow recycling of repayment proceeds and capture the inbuilt investment multiplier in Self Help Group mechanism. In no case the tenor of the bank loan shall be less than twice the term prescribed by the Groups. This will enable the Groups to recycle the repayment

g. Sanction and disbursement procedures: The banks may maintain a list of Self Help Groups banking with them and monitor their performance on quarterly basis in coordination with DLDA/Bank Linkage Committees. The DLDAs/Bank Linkage Committees will provide rating information for each of the groups that will enable them to draw joint plans for bank linkage. Based on these plans DLDAs/Bank Linkage Committees will help in preparation of loan applications and facilitate field visits by banks. The banks shall decide upon the loan quantum and others and conditions of the loan in a transparent manner after discussing with group members the Micro Investment Plan prepared by them. The banks shall not take more than fifteen days to sanction the loan from the date the applications received by the bank. The loan disbursements shall be made in cash.

h. Post disbursement scrutiny: Two levels of post-disbursement scrutiny is proposed under NRPEP. The first level is peer scrutiny done organized by VLF, involving non-borrowing members within Self Help Group and other Self Help Groups. The bank with facilitation of VLF concerned will do the second level scrutiny. This entails visit of bank officials to check loan disbursement by the groups, examination of relevant books of account for obtaining sample assessment of expenditure/asset creation in tune with Micro Investment Plans.

i. Reporting of progress: Three reports are critical to assess the performance of SHG-Bank Linkage. These are

    i. report on savings accounts of Self Help Groups and their Federations classified into operating and non operating accounts

    ii. report on sanction and disbursement made to Self Help Groups and their Federations

    iii. report on portfolio analysis showing details of outstanding loans, repayment performance and asset classification.

   The banks shall therefore share these reports with DLDA/Bank Linkage Committee on quarterly basis and facilitate review the performance of the program.

d. **Coordination:** Flowing from the process orientation of NRPEP, banks are advised to adopt community based monitoring mechanism for bank linkage. Experience from the field validate efficacy of such mechanism in reducing transaction cost of the banks, even while empowering communities in financial inclusion process. It has therefore been decided that the representatives of VLFs/BLFs shall be invited to participate in Block Level Bankers' Committee meetings for effective community participation in bank linkage process. Banks may facilitate constitution of Bank Linkage Committees at each branch by co-opting representatives from each VLFs operating in the service area. These committees shall be act as link with all Self Help Groups banking with the bank branch and support in all aspects of SHG-Bank Linkage including recovery of dues. A brief note on Bank Linkage Committees in given in Annexure-10

Way Forward

The social mobilization approaches and SHG-Bank Linkage practices under NRPEP offer immense scope for innovations in reaching credit to poor households on a sustainable basis. While the banks need to view to Self Help Groups of poor as business clients and provide un-interrupted credit support, incentives need to be built within community institutions for prompt repayment of bank dues. One such mechanism could be to reward the groups with monetary incentives for timely and full repayment of bank loan as per the agreed terms. This incentive, though paltry, is powerful to reward group's good credit behaviour and help enhances its corpus to leverage higher finance for subsequent doses of bank finance. On their part, the banks should develop innovatory approaches for enhancing credit flow to poor. Perhaps, SHG Credit Card holds promise if the banks use credit-scoring methodologies for providing top-up credit facility to groups. Investment subsidy to such groups would be another means worth attempting.

V

STRATEGIC SUPPORT FOR PROMOTING SUSTAINABLE LIVELIHOODS – LIVELIHOOD SUPPORT FUND

Strategic support is essential for productivity enhancement, scaling up of activities, to achieve better returns and to minimize the risk. The NRPEP would address the existing livelihoods of the poor first with an aim to revive/improve the existing livelihoods and optimize resource use. The effort would be to make the least cost interventions first, especially upgrading skills. For this purpose common livelihood activities of the poor are selected and supported. It seeks to address the entire value chain of these activities and identify interventions to address the most critical part of the chain. It is proved very effective while utilizing the services of the best practitioners (Community Resource Persons) within the community in disseminating/replicating their best practices. In addition to these resource persons, a cadre of professionals who have acquired reasonable skills in a given field, may be called paraprofessionals, can provide valuable advice at low cost.

Common livelihood activities of the poor:

Common livelihood activities of the poor are wage labor, tenant cultivation, cattle rearing, forest produce, weaving, fishing, petty shop etc. These livelihood activities of the poor at the village and the block may be identified by sample surveys. Those livelihood activities that have larger impact on the poor will be selected and strengthened and efforts will be made for their expansion. Value chain of these activities should be analyzed to address the gaps.

Value chain analysis:

The value chain consists of different stages starting from Pre-production, Production, Processing and Value addition and Marketing. In this analysis backward and forward linkages will be noticed for appropriate intervention. Value chain analysis has to be carried out for the major livelihood activities of the poor to understand the activity thoroughly.

Various Stages of the Agricultural Value Chain (indicative)

Inputs: Seeds, Fertilizers, Pesticides, Credit, Manure etc
Preproduction: Land development, Labour, Fodder development, Agricultural extension services, Nursery, Implements …
Production: Technology, Land productivity, Water productivity, Water management, Cropping patterns, multiple crops etc.
Harvesting: Imparting best harvesting practices
Post harvesting: Storage, Drying, Grading
Local value addition: Aggregation, Retention for later use, Resisting Distress Sales, Milling, Packing, Packing in small packs, etc.,
Marketing: Cutting the chain as much as possible between the producer and consumer *, Market linkages, Branding etc

*Level 1: Local market: Local traders/middle-men purchase the produce from the producer at meager price. Most of the time it is tied sale. Level 2: Wholesaler/Millers: Local traders do some value addition (grading, packing etc) and sell to wholesalers. If farmers could sell to wholesalers directly they will get more than what they get in local market. Wholesalers do greater value addition and /or produce new products, and sell to retailers. Level 3: Retailers: Retailers sell products to consumers taking some margin. By the time it reaches consumer, the value of the product increases 3-4 times compared to the value of produce. In case the producer moves forward in the market chain towards consumer, s/he will realise higher returns.

Identification of gaps:

Thorough understanding of the activity at each and every stage reveals the gaps that are to be addressed for improving the efficiency of the activity.

Addressing Gaps:

Once the gaps are identified, every effort should be made to address these gaps. This may necessitate providing Technical skills to entrepreneurs, Positioning of Community Resource Persons & Paraprofessionals, Creation of Infrastructure for processing and value addition and marketing, Hiring consultancy services and arranging Finance.

Livelihood Support Fund (LSF):

LSF is for supporting key activities that are identified at village level and block level. This fund is not for implementing the MIP of the SHGs but for creating supporting mechanism for effective implementation of the MIP. It can be used for following purposes:

1. Imparting skills to the members of SHGs for improving productivity of the chosen activity (one time expenditure)
2. Training and positioning of Community Resource Persons and Paraprofessionals for livelihood promotion (three year support is provided to them by the project and later they have to earn on their own by providing fee based services)
3. Creation of productive infrastructure for processing, storage and value addition (one time expenditure)
4. Marketing support services like packaging, branding, market research etc. (One time expenditure)
5. Hiring Consultancy services for productivity enhancement, cost and risk reduction etc. (one time expenditure)

LSF is provided either to VLF or to BLF depending on the nature and scope of the activity. If the support is required for the livelihood activity at the village level, for example, milk collection centre, LSF is provided to VLF for implementation. If the support is required at cluster level, for example, bulk milk cooling unit, the LSF is provided to BLF for implementation.

When LSF is provided for Productive Infrastructure, appraisal has to be done in determining whether this infrastructure is likely to contribute significantly to the development of the village economy as a whole. In other words, it is the comparison of quantifiable costs and benefits accruing to the community as a whole and not to the immediate beneficiaries.

Livelihood Support Organizations (LSO) should emerge for the systematic promotion of major livelihoods of the poor. Federations or their confederations should promote such LSOs and that is the way forward for LSF.

Finance: Financing livelihood support infrastructure happens mainly through LSF. If LSF is not sufficient to execute the required infrastructure, federations may approach banks for loans. Banks after satisfying with such proposals may consider financing.

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VI

RISK MANAGEMENT

1. **Poor are more vulnerable to risks** particularly that of life, health and asset. Their vulnerability to risk only reinforces poverty. Unless poor are empowered to deal with risk prevention, risk mitigation and risk coping, it is impossible to eliminate poverty.

2. **Poor face the following core risks or contingencies:**
    - Asset loss
    - Illness
    - Disability
    - Death

3. **The instruments to cushion such risks are:**
    - Insurance to cover death and disability, illness and asset loss.
    - Pensions to cover old age and disability.
    - Social safety net to cover shortfall of income due to periodic crises.

4. **Programmes of pension and social safety net** are already put in place by the Government. There is a pressing need to introduce insurance as one of the multi-pronged strategies to eliminate poverty. Life, health and asset insurance has to be made an integral part of NRPEP if it has to achieve the vision of a poverty free society by 2015.

5. Life Insurance:

The SHG members pay premiums on an annual basis into a risk pooling group to cover death and disability. The life insurance coverage, at a nominal cost, should be made available to the spouses of SHGs also. The village level federation federation could tie up with the insurance companies, preferably with the Life Insurance Corporation of India under the Janashree Bima Yojana/ Aam Aadmi Bima Yojana which provides low premium rates coupled with high sum assured in the event of death or permanent/partial disability.

6. Health Insurance:

6.1 Health insurance cover can be provided to the SHG members and their families with the following features:

- To cover all diseases.

- Network hospitals
- Reimbursement of hospitalization expenses
- Cashless system
- TPA
- OPD and other exclusions

6.2. The health insurance can be taken up only at a later date when the district federation is in place. The district federation can tie up with a network of private hospitals to provide services or the health insurance policy of the GOI can be extended to the SHGs.

7. Asset Insurance:

It can be extended to all the assets created under the NRPEP and also to other assets owned by the poor like a house. The general insurance policy should provide indemnity in the event of loss of asset/house due to accident inclusive of fire, lightening, riot and strike, flood, cyclone, earthquake or famine. Live stock policy should provide indemnity in the event of death of animal/bird due to accident inclusive of fire, lightening, riot and strike, flood, cyclone, earthquake, famine.or due to any disease contracted or occurring during the period of insurance subject to certain exclusions

8. Implementation:

8.1. The insurance initiative can get the right thrust and reach only with the SHG federations at various levels. As it will take another 3-4 years before the formation of block level federations, the village level federations(VLF) will handle the insurance scheme. For this to happen, the Government of India will have to sensitise the insurance companies to recognise the village level federations as agents. Instead of individuals lobbying with the insurance companies, the VLF will lobby with them on behalf of its members. The VLF will appoint one person from the community as insurance manager who will be trained by the insurance companies. They will also identify insurance resource persons from among themselves. They will be trained by the insurance companies and will take up the role of awareness building among the community. The role of enrolment and collection of premium will be done by the VLF. The claim verification and claim processing will be done by a committee of trained SHG women. Part claim is settled within 48 hours. The most crucial factor is freeing the family of the deceased from borrowing by ensuring that solatium is paid by the federation. Claim settlement is done subsequently by the insurance company.

8.2. The Government will constitute District level Consultative Committee(DCC) and Block level Consultative Committees(BLCC) with representatives from the VLF and the insurance companies. The DCC will be responsible for dissemination of new insurance schemes and products and will take up coordination issues pertaining to the VLF and insurance companies. It will be its responsibility to prepare a detailed business plan. It will also coordinate the training of the Insurance Resource Person (IRPs).

8.3. The BLCC will look at issues of pending claim settlements. It will be constituted by representatives of the VLF, the claim settlement committees of the VLF and the insurance companies.

8.4. It is expected that the VLF takes up the life insurance scheme first as it is found to be fairly simple and administratively far less complex than the health and asset insurance. The asset insurance can be taken up after the federations have gained sufficient experience in handling the life insurance scheme. The health insurance can be taken up after the BLF is in place. Having an effective MIS and IT system in place before starting the whole exercise will be necessary.

9. Risk Fund:

The need for risk coverage in the lives of the poor and therefore a need for a comprehensive insurance policy cannot be overstated. There is a need to have a separate component of funding under the NRPEP termed the risk fund which shall be used for building the capacities of the federations for handling the insurance schemes. It can be utilized for training of IRPs. The risk fund can also take care of the administrative cost involved in administering the insurance scheme by the VLF. It can also cover the costs of the salaries of insurance staff of the federations.

VII

ROLE OF CIVIL SOCIETY ORGANISATIONS

Role of Civil Society Organisations in NRPEP:

The experience across the country has proved that social mobilisation and institution building is not a spontaneous process. A facilitator working closely with the communities at grassroots level can play a critical role in promotion and nurturing the institutions. The quality of the institutions can be influenced by the capacity of the facilitator. The facilitators, who work in social mobilisation and nurturing institutions of the poor, require pro-poor attitude, empathy and immense faith in the capacities of the poor, integrity, strong commitment and willingness to stay with communities. Currently DLDAs do not posses either the capacity or sufficient staff for taking up social mobilisation and institution building on a large scale. The world wide experiences in development programmes proved that Civil Society Organisations are very effective in the social mobilisation process. In the Indian context, many Civil Society Organisations with the support of various national and international funding agencies have been involved intensively in the social mobilisation process since Independence. They have been promoting SHGs and their federations in some pockets of the country. As poverty is complex, collaboration among all the key stakeholders is critical to eliminate poverty.

Hence District Level Designated Agency may try to develop partnership/collaborations with Civil Society Organisations in the following ways:

1. Partnerships with those Civil Society Organisations that have significant presence in specific blocks and those that also have necessary human resources and competencies
2. Intensive collaboration with those Civil Society Organisations that are willing to initiate the activities in new blocks/areas
3. Thematic collaborations with those Civil Society Organisations that work on specific issues viz., marketing, dairy, capacity building and working with disabilities etc to access their technical expertise and to evolve strategies
4. Collaboration with small Civil Society Organisations/individuals who do not have access to financial and technical resources. These

individuals or organizations have commitment, interest and ability. District Level Designated Agency can utilise their services for social mobilisation, promotion and nurturing the organisations of the poor by providing required trainings and financial support.

<u>Role of Civil Society Organisations (CSOs):</u>

1. CSOs that have strong presence in the field or willing to initiate new blocks/areas will play a critical role in promotion and nurturing of SHGs and their federations in attaining self-management skills
2. Training and capacity building of CBOs and staff at different levels
3. Awareness building, sensitization and capacity building of various stakeholders
4. Development of training materials and modules
5. Act as advisors in many areas: staff recruitment, developing context plans, key activities of the programme and documentation
6. Can do process monitoring and share the best practices and lessons learnt
7. Facilitate SHGs and their federations to develop forward and backward linkages
8. Provide Issue based support viz., Gender, social issues and disability
9. Support SHGs and their federation in accessing services and programmes of Government and CSOs

Selection criteria:

The CSOs/CBOs/ individual facilitators will be selected based the following criteria:

- Evidence of Legal registration
- A proven track record of at least three years' experience in SHG formation, Community Organization or any other similar work involving participatory approach
- Transparency in financial management, as evidenced by accounts and certified by a chartered accountant
- Accept programme philosophy and design
- Willing to change its roles and delegate powers and various programme responsibilities to Organisations of the poor for enabling them to become strong, vibrant and dynamic

- Willing to be reviewed by SHGs and their federations about their performance
- Demonstrated Staff capabilities etc

The process of selection :

With the approval of District level NRPEP committee District Level Designated Agency shall enter a Memorandum of Understanding (MoU) or contractual agreement with the CSOs/CBOs/ Community Facilitators being involved in the programme. The involvement of facilitators in the programme will be purely on contractual basis and the District Level Designated Agency shall take all precautions to ensure that there are no legal obligations on the Government in future. The MoU should clearly define the role of CSOs/facilitators and payment should be specifically linked to the achievement of agreed upon outcomes. The draft MoU will be circulated to the districts separately later.

Monitoring :

In the initial stages of the programme, the District Level Designated Agency shall regularly monitor the progress of CSOs works through periodic evaluations and monthly reviews in the presence of Organisations of the Poor and District Level NRPEP committee will conduct reviews once in six months. Later BLFs and VLFs will conduct the monthly performance reviews of CSOs once they acquire management skills.

VIII

NATIONAL RURAL POVERTY ELIMINATION PROGRAMME (NRPEP) – IMPLEMENTATION ARRANGEMENTS

National level :

The need for setting up a national level agency with a flexible administrative structure, for better planning, organizing and coordinating the poverty elimination effort cannot be overstated. The current administrative setup at the national level is insufficient to manage a large task such as poverty elimination across the geographical and social complexity and it requires a higher order involvement of the Ministry of Rural Development. It is therefore, felt that a National Agency be established at New Delhi to manage the National Rural Poverty Elimination Programme to achieve the objectives of the programme meaningfully and comprehensively.

1. The administrative set-up would essentially be a society under the Ministry of Rural Development headed by a senior officer of the Government of India. The organization inter alia, would deal with the following:

2. Be directly responsible for the implementation of the NRPEP across the country.

3. Co-ordinate with the state government departments dealing with the poverty elimination programmes and /or the implementing agencies that are established for a similar purpose by the state governments ministries for implementing the NRPEP.

4. Be responsible for evaluating the implementation of the NRPEP across the country and devise and suggest ways of making mid-course corrections in the strategies being adopted by the state governments or the agencies, when necessary.

5. To document and be the clearing house for the best practices with respect to the poverty elimination programmes and strategies being implemented in the country and be the repository of information.

6. Devolve funds to the state governments based on rational formulae and where necessary, evolve them.

7. Capacity building of the state agencies and government functionaries involved in the NRPEP.

8. Evolving and working out the MoUs with the state governments for the implementation of the poverty elimination programmes

9. Originate proposals for international assistance for poverty elimination programmes in India, carry out all negotiations in that regard and leverage resources

10. Periodic monitoring of the implementation processes and outcomes

11. Organizing workshops, seminars and such activities and events that are relevant for smooth implementation of the NRPEP

12. Current mechanisms in the MoRD to monitor and evaluate the programme like Performance Review Committee Meetings, CLCC meetings, Area Officer scheme, evaluation studies etc. will now be the responsibility of this agency

13. Systematically address the key subjects of poverty alleviation like livelihood generation, capacity building, skill upgradation, credit, international assistance etc.

14. To assist the state governments / agencies in the formulations of the project proposals under the NRPEP and give all the critical rapports where necessary.

15. Undertake policy advocacy to mainstream poverty elimination approaches and strategies in the programmes / schemes of their line ministries of the government of India and state governments.

16. To constitute supervision missions and send them to the states for on the spot observation of the implementation processes.

State Level :-

At the state level respective state governments will promote a dedicated organization to implement NRPEP. Ideally it should be an independent and autonomous organization registered under the Societies

Act. It will have a combination of authority and accountability of the government and operational flexibility of a private corporate. It is designed to implement the program with vigor and tenacity.

The organization will have a general body and executive council for guiding it in effective implementation of NRPEP. The Chief Minister of the state will be the chairperson of the general body and executive council, and an eminent rural development specialist will be the Vice-Chairperson. Executive council will have eminent persons having proven track record of commitment and concern for the poor, who are drawn from government, NGOs and communities.

This organization will have State Project Management Unit (SPMU) to manage NRPEP. At the district level, the program is implemented by a district level designated agency or District Project Management Unit (DPMU), which is set up by the SPMU. At the block level the program is managed by Block Level Project Management Unit (BPMU), which is either set up by DPMU or an NGO carefully selected by DPMU.

SPMU

SPMU is headed by Chief Executive Officer (CEO), who will manage the day to day affairs of the society. CEO will be assisted by functional specialists in the fields of livelihoods, microfinance, social mobilization, capacity building, gender, communication, jobs etc, in addition to administration and finance personnel.

SPMU will set up DPMUs and position District Program Directors and District Program Managers/ Functional Specialists and provide necessary trainings to them. It will interface with government, banks, line departments and National Level Organization for implementing NRPEP. It will oversee the functioning of the program in the state and review the performance periodically.

DPMU or a District Level Designated Agency

DPMU is headed by District Programme Director (DPD), who will manage the programme at the district level under the direction of the SPMU. DPD will be assisted by functional specialists in the fields of social mobilization, microfinance, livelihoods, gender etc, in addition to administration and finance personnel.

DPMU will set up Block Level Project Management Unit (BPMU) and position personnel having expertise in social mobilization/institutional building, livelihood promotion and SHG book-keeping/accounting. BPMU could be an NGO having expertise in SHG promotion. DPMU will interface with district administration, banks, NGOs and SPMU. It will facilitate the formation of district level federation of block federations. The major task of DPMU will be to train BPMU personnel in discharging their duties effectively. It should review the performance of BPMU periodically and take necessary action.

BPMU

BPMU will be headed by Block Coordinator/Social organizer supported by social mobilization/institution building expert, bank-linkage facilitator, livelihood specialist and an expert in SHG book-keeping. The role BPMU is mainly the social mobilization that accounts for enrolling the poor households into SHG fold and build their capacities. It will also support formation of federation of SHGs at village and block level. BPMU's effort should lead to the establishment of quality SHGs and their federations and that in turn will reflect in better bank-linkages, improvement in the quality of life and enhancement of livelihood options.

BPMU could be an NGO known for its integrity and having the required skills and capacity for managing it.

IX

SKILL DEVELOPMENT AND PLACEMENT SCHEME FOR RURAL YOUTH - A CONCEPT NOTE

1. The Case for Exclusive Focus on Skill Development & Placement

India would be the world's youngest nation within a decade with 54% of its population below 25 years of age, according to CII estimates. The latest estimates of poverty (NSS 61st Round for 2004-05) reveal the rural poverty ratio to be 28.3% of the population. In absolute numbers, this implies that 22.1 crore rural people are Below the Poverty Line (BPL). It would be a fair estimate to say that 50% of this segment or about 11 crore are in the productive age group. A strategy to raise such huge numbers above the poverty line has to necessarily be a multi-component one. Apart from the ongoing wage and self-employment schemes, a well directed placement oriented training scheme for the unemployed BPL youth acquires significance.

2. Percolation of the benefits of growth is not possible when the poor are not a part of the growth process. A poverty alleviation effort will be most sustainable if the rural youth and underemployed are inducted into the growth mainstream to function as participants and obtain factor remuneration, rather than rely on subsidy based assistance & the ongoing efforts to enable them to start income generating activities. The growth momentum and variety being witnessed in India today places a huge demand for a skill base not only for high technology compatible skills but also for lower end, nuts and bolts skills, the latter relating to a vast segment of the rural population as a catchment area. The country is therefore, at the turning point in so far as dealing with skills for the youth is concerned. The opportunity is now ripe to develop the vast manpower into a nationally available skill base at various levels in industry, service, food processing, construction, retail and other sectors. The 9% growth rate being experienced at this juncture offers tremendous placement opportunities, which may be lost if the government does not put in a concerted skill development and placement mechanism in place immediately. Placement for the rural poor through a pro-active skill upgradation approach is an under explored domain so far, which, under the present developmental scenario, is a huge policy opportunity.

3. Potential Areas for Skill Development –

The pattern of economic growth throws up immense potential for absorption of lower to medium level skills. The mushrooming of Special Economic Zones (SEZs), and the revival of the real economy sectors like manufacturing, cement, steel, automobiles, construction etc. has now thrown up a surging demand for lower end nitty gritty skills which are ideally suited for short term skill creation amongst rural youth. The conventionally labour intensive sectors like ready made garments, leather, gems and jewellery, electrical trades, housekeeping, catering, metallurgical trades etc. continue to offer scope for absorption of skilled labour. Above all, the retail sector, which is set to explode and establish itself on a gigantic scale, is ideally suited for absorbing the rural youth, if groomed and facilitated through appropriate skill development.

4. Basic Philosophy and Approach to Skill Development –

The objective of the programme would be to equip the rural youth with marketable skills that would ensure their guaranteed employment through a pre-designed placement avenue.

The experimental initiatives carried out through Dr. Reddy's Foundation by way of the Labs Programme has yielded favourable results in terms of market oriented skill formation and assured placement. The earlier skill development scheme, TRYSEM, failed predominantly due to the provision of stipends to the rural trainees which became an end in itself for the beneficiaries, relegating skill acquisition to the background. A successful skill development programme is one where the willing placement provider is matched with the eager and motivated job seeker. Hence it is essential that the programme is demand - driven, without the stipend component but with the provision of boarding and lodging for the BPL trainees. Since the average per capita expenditure on a BPL trainee is less than Rs. 5000/- and it will result in a per capita annual income to the BPL beneficiary of atleast Rs. 35,000/- and above, such a scheme contains all the positive ingredients for the government to put in a stronger and far reaching effort towards its sustainability.

5. Factors in the Formulation of a Skill Developmment & Placement Programme -

The important factors which have been considered while devising ways of implementing skill development programmes are the following:

(i) The placement canvas is very large and covers diverse sectors. Therefore uniform parameters of implementation cannot be formulated for all projects
(ii) Vast inter-state and intra-state variations exist in the preparedness of the BPL youth in terms of start up level of skills. This also calls for a flexible approach.
(iii) Proximity of the rural segment to industrially and commercially developed pockets
(iv) The already existing degree of corporate involvement in sourcing manpower through need driven skill oriented programmes
(v) The presence or absence of training infrastructure with different state governments
(vi) The availability of competent facilitating agencies such as IL&FS, Dr. Reddy's Foundation etc.
(vii) The mobility and adaptability already shown by the rural BPL youth by way of less resistance to migrate towards economic opportunity

Owing to factors like the ones mentioned above, there is a need to evolve **not one, but different models of implementation** of skill development programmes in a manner that would customize each programme to the requirements of the trade as well as the trainees. This specificity of requirements demands flexibility in implementation norms. It is not possible to have a one size fits all type of a guideline framework for placement programmes that encompass such non homogenous trades and target groups.

5. Critical Role of the Private Sector in the Placement Scenario

The country is experiencing a growth momentum that is rapid, alongwith a growth pattern that is versatile. The non-service sector component of the economy, i.e manufacturing has regained its buoyancy, along with labour intensive sectors like construction. The corporate sector now displays a rising recruitment graph at all levels. While planning for large scale employment generation amongst the rural youth, this is the moment to acknowledge that it is the corporate sector which provides the most critical opening for poverty alleviation through job placement. Hence the policy parameters will create a fexible, trade specific, implementation mechanism with a smooth fund release arrangement which is free from cumbersome procedures and provides for transfer of funds based on a transparent system of monitoring the processes and outputs. In programmes where the corporate sector has a complete and self contained role to play without any support from the concerned state government, the operational relationship with the MoRD needs to be more direct or through a single institution, especially for pan-Indian projects. A departure from the DLDA based release pattern is the important need of the hour going by the experience of SGSY Special Projects and also the placement oriented skill development projects being implemented by Dr. Reddy's Foundation. Every project requires a distinct implementation agency that is functionally detached from any state department. Further, there will be an increased need to take up pan-Indian projects to realize economies of scale in the programme and to target the vast base of BPL youth in a faster timeframe.In such cases it is now necessary to ensure that the training institution obtains funds from a single source without having to approach individual DLDAs in each state. This will reduce the layers of interaction, bring about greater efficiency and result in a quicker achievement of outcomes.

6. Need for a Mix of Demand Driven and Allocation Based Approach

Since the development process across the states is not uniform and several states are lagging behind the more developed states, the Government of India also has the primary objective of ensuring adequate flow of resources to the poorer regions of the country. Herein lies the need to continue with an allocation based component for the states, governed by the poverty criteria.

In the proposed Skill Development Programme therefore, **50% of the total budget would be allocation based** and released to the states on the submission of detailed action plans. The allocation criteria will be the number of BPL households in the state**. The other 50% would be retained by the MoRD** for funding demand based pan-Indian or regional projects, for pro-active initiation of projects wherever found feasible and for launching GOI-/FIs/Corporate relationships in skill developed placement programmes. To begin the process, the following three models will be considered:

Model 1. Working out a Memorandum of Understanding (MoU) with the state governments on their submission of a skill development-cum-placement action plan, if certain conditionalities are fulfilled:

(i) All beneficiaries are BPL (APL beneficiaries can be considered upto 20%, without subsidy)
(ii) Fund transfers to the states will be beyond the DLDA setups. Mechanisms like floating separate accountable entities, Special Purpose Vehicles (SPVs) etc. will necessarily have to be carried out to ensure smoother and direct fund flow to the projects
(iii) A provision for administrative expenses upto 1-2 % of the allocation can be made at the central and state levels
(iv) The training set up and the facilitating institution should be a party to the MoU

Model 2. To facilitate flexibility in operations for active corporate sector placement providers and eliminate procedural problems like delays in monitoring visits, release of state matching shares etc. the Ministry of Rural Development will enter into direct discussions with large facilitators having feasible proposals such as Dr. Reddy's Foundation and IL&FS, potential facilitators like the 78 SEZs, Reliance Industries and other large corporate groups. MoRD will initiate discussions with SEZs and corporate entities who have created vast training infrastructure and are actively seeking work force at the lower end of the skill base. Public-Private Partnership models with the ultimate outcome of absorbing BPL rural families through placement can be worked out in a flexible manner, to suit the requirements of each sector type.

Some features of such an arrangement would be:

(i) The corporate contribution is atleast 25%.100%funding by MORD will also be considered for projects with larger beneficiary outreach
(ii) No routing through the state government would be required for pan-Indian programmes. Fund transfer would take place through an identified autonomous body (NIRD, NABARD), decided on location or other appropriate considerations
(iii) Programme would be processed, vetted, hand-held, implemented and monitored by the Ministry or through a chosen agency

Model 3 Projects will be initiated through a leading financial institution with widespread branch network and manpower like **State Bank of India** and its allied banks to be conducted by utilizing the infrastructure & personnel of their training colleges. The outreach of SBI will result in effective beneficiary selection, information on currently marketable skills and placement avenues. The presence of a financial institution will ensure both credible beneficiary selection and viable placement avenues through the strong corporate identification effort of the financial institution. Here an MOU with SBI, committing a fund of say, Rs. 100 crores can pilot a major skill development initiative. SBI will submit an action plan for the amount, elaborating the types of skills, placement outlets, the corporate involvement proposed and the outcomes in terms of number of rural youth inducted into the employment mainstream.

The above models require suitable guideline amendments for making them operational. The bottomline is that the Ministry need not have a single, strait jacketed implementation mechanism but provide for considerable flexibility owing to the strong involvement of the corporate sector, which demands minimal procedural steps. By their very design, Special Projects are meant to be implemented under controlled conditions so that an exclusive, outcome oriented focus is guaranteed. Therefore it is necessary to ensure that rigidities in the process do not hamper the implementation, thereby diluting the outcomes. Hence the Ministry recognizes the need to formulate skill developed placement programmes as a sub scheme within the SGSY scheme.

7. Selection of a Project Screening Agency for the MoRD -

It is important that the screening of State Action Plans and facilitator proposals is carried out in a professional manner. To ensure such professionalism, it is necessary to engage a qualified, independent organization of repute for the initial examination and elimination of below par proposals. The pre-qualification of proposals will be done according to a set of predetermined factors. After the due process of filtration, the proposals containing the requisite inputs for further consideration will be processed in the MoRD. Viable programmes will be approved by a top level committee headed by Secretary (RD). The organization to carry out this preliminary screening will be selected through an open enquiry and engaged for an annual fee of around 0.5% of the allocation under the programme.

8. Fund Requirement – Options

This Skill Development and Placement Scheme for Rural BPL Youth has three prospective funding options:

(i) **As an Independent Scheme –** If it is to function as an independent scheme, atleast Rs. 500 crores per annum would be the budgetary requirement for launching the scheme in all states/UTs, based on the appropriate models of implementation.

(ii) **As part of the SGSY Scheme –** 15% of the SGSY budget can be earmarked for this skill developed placement programme since this addresses the same target group in a diversified manner.

(iii) **What about Special Projects? –** This is also a moment to reconsider the future of Special Projects under SGSY, especially in the light of their poor impact, high level of incomplete projects and implementation inefficiencies at the state level. **One sub-option** is to abolish the special projects scheme altogether and make way for this placement scheme. A **second sub-option** would be to retain the scheme to fund ongoing projects till completion. A **third sub-option** can be to revamp the Special Projects scheme and build it on modern, professional lines with the sole orientation on the implementing agency and deliverables. For this the guidelines of the Special Projects will need a revamp to accommodate some of the flexible and accountability creating features of this placement scheme. A **fourth sub-option** can be to earmark only 5% for SGSY Special Projects, bringing it down from the existing 15% of the SGSY budget, thereby releasing funds for skill development & placement.

9. Strategy

Rural youth identified and selected through the BPL list prepared based on the results of the BPL Census 2002 will be first imparted marketable skills by the training institution .On due completion of the training, they will be provided placement in the companies requiring manpower from the specific trades. Prior placement tie up will be a pre-requisite for the approval of training programmes.

The basis for release of funds to the training institution would be the number of candidates successfully placed and not the number of candidates trained.

10. Coverage of SC/ST and Women beneficiaries

The coverage of SC/STs in the programme should be atleast equal to their share in the population of the district. Not less than one third of the beneficiaries should be women.

11. Implementation Schedule

The placement oriented skill upgradation programmes are proposed to be implemented in different trades and through a variety of public and private institutions.Hence their schedules will be flexible:

(i) States will be initially sensitized to prepare their Action Plans for skill upgraded employment programmes after securing the necessary tie up with placement organizations. The placement institutions must necessarily be the actual users of the skills and not HRD consultancies.

(ii) MoRD will initiate active discussions at the National Level either individually or through Workshops with large corporate houses that are potentially labour absorbing. Customised skill development & placement programme will be worked out appropriately. MoRD will also initiate discussions with SEZs and large retail sector players and evolve a suitable programme that would result in provision of guaranteed placement to rural youth.

(iii) The network of rudsetis in the country will be galvanized through tie-ups with financial institutions and possibilities of smaller scale training-cum placement programmes will be explored

(iv) The scale of each project can vary from 3000 beneficiaries to 3 lakh beneficiaries or more in the case of pan-Indian projects

(v) For projects as in (i) above, the 75:25 fund sharing pattern of SGSY Special Projects will be applicable, whereas, the GOI will consider upto 100% funding in case of projects benefiting a sizable number of beneficiaries

(vi) The ceiling on the total cost of each project will remain at Rs. 15 crores for state level projects but can be extended upto Rs. 25 crores for pan-Indian projects

12. <u>Fund Release Criterion</u>

(i) The state level projects under the 50% resources earmarked for allocation based allotment will receive funds in a 40:40:20 , three instalment pattern

(ii) All projects of pan-Indian nature and those that arise out of direct negotiations with the private sector will have flexible fund release criterion, based on the type of training modules & trade, duration of each training programme and the beneficiary base being addressed. But the outcomes would be clearly defined as the actual number of BPL rural youth who have been given employment. To this effect, the training institution will need to produce the following:

(a) BPL Identification numbers of the rural youth

(b) Certificate from a reputed agency that the youth have actually undergone skill upgradation training

(c) Employment contract from the recruiting company for atleast 6 months at the prevailing minimum wages for the particular trade

13. **<u>Cost and Duration of Training</u>**

The scheme recognizes the differential levels of sophistication and complexity in each trade by way of skill types and instruction methods. Therefore the duration of each project will be primarily as decided by the user industry but cannot exceed six months per batch of trainees. The level of subsidy per trainee to be met by MoRD will not exceed Rs. 5,000/..A higher level of subsidy can be considered only for more intricate and sophisticated projects requiring longer learning periods, which will be decided by the Screening Committee when the need arises.

14. Project Approval Procedure

(i) All state level projects proposed through state government action plans will be forwarded by a Committee at the State Level, headed by the Chief Secretary. This will in turn be deliberated for clearance in an Apex Approval Committee headed by Secretary (RD)

(ii) Projects involving Public Private Partnerships, direct corporate negotiations and all pan-Indian projects will be first screened by a Project Screening Committee in the Ministry headed by Joint Secretary (SGSY). Subsequently the screened projects will be put up to the Project Approval Committee headed by Secretary (RD). The fund routing agency chosen for the purpose of single point release of funds to the project will also be present for both the Committee sittings.

(iii) The fund routing agency chosen for a particular project, say NIRD or NABARD will be responsible for monitoring the completion of the project and release funds through verification of the outcomes. The fund routing agency, which shall receive service charges upto 1.5 % of the project cost will submit the utilization certificates of both the training agency and itself for obtaining further instalments.

15. Monitoring

(i) Every project will have its separate website, into which the periodic progress information in respect of individual programmes will be uploaded by the training agency.

(ii) The fund routing agency will inspect all the training centres and atleast 5% of the placement providers to ascertain the actual details of the outcomes achieved.

(iii) The MoRD will shortlist and depute independent evaluators to inspect and verify the outcomes of such placement programmes.

* * * *

Annexure -1

Training to be given to SHGs:

- Causes & dimensions of poverty
- Need and Importance of SHG
- Meeting process, framing and implementation of management & financial norms
- Management of savings, internal lending, PEF Fund and accessing external funds
- Importance of bookkeeping
- Preparation of Micro Investment Plans
- Need and importance of VLF and BLF
- Registration and Legal compliances etc.
- General as well as specific social issues
- Rights and entitlements from Government programmes and services
- Preparation of monthly progress reports
- Skill development and development of economic activities

Annexure -2

Indicative Structure of VLF:

The VLFs will have a general body comprising of all the group members and an Executive Committee (EC) comprising of 2 or 3 representatives from each member SHG. The VLF will have 3 to 5 office bearers from poorest also such as SC/ST/Disabled for carrying out the day-today functions and represent the VLF in various forums/institutions. To support Executive Committee in operationalizing decisions taken, 4 to 5 Functional Committees (SHG Monitoring Committee, Asset Verification Committee, Bank Linkage Committee, Social Issues Committee and Procurement Committee) shall be constituted from among EC Members. The VLF will be encouraged and facilitated to have its EC meetings at least once in a month and the general body meeting at least once in three months.

Annexure -3

Training to be given to VLFs:

- Need, importance and structure of VLF & BLF
- Services offered
- VLF meeting process, framing and implementation of norms
- Roles and responsibilities of VLF Executive Committee, Office Bearers and Functional Committees
- Problem solving, conflict resolution, leadership development and democratic decision making
- Management of savings, internal lending, NRPEF fund, mobilisation of external resources
- Preparation, appraisal and sanctioning of MIPs
- Importance of Bookkeeping and maintenance of various books of accounts
- Registration and Legal compliances
- Preparation and analyzing of monthly performance reports

Annexure -4

<u>Indicative Structure of BLF:</u>

Similar to VLFs, BLFs will have a general body comprising of all the VLFs Office bearers and an Executive Committee (EC) comprising of 1 or 2 representatives from each member VLF. The BLF will have 5 office bearers from poorest also such as SC/ST/Disabled for carrying out the day-today functions and represent the BLF in various forums/institutions. To support Executive Committee in operationalizing decisions taken, 4 to 5 Functional Committees (VLF Monitoring Committee, Asset Verification Committee, Bank Linkage Committee, Social Issues Committee and Procurement Committee) shall be constituted from among EC Members. The BLF will be encouraged and facilitated to have its EC meetings at least twice in a month and the general body meeting at least once in six months.

Annexure -5

Training to be given to BLFs:

- Need, importance and Structure of BLF
- Services offered
- BLF meeting process, framing and implementation of norms
- Roles and responsibilities of BLF Executive Committee, Office Bearers and Functional Committees
- Problem solving, conflict resolution, leadership development and democratic decision making
- Management of savings, loans, PEF funds, mobilisation of external funds
- Preparation, appraisal and sanctioning of MIPs
- Importance of Bookkeeping and maintenance of various books of accounts
- Registration and Legal compliances
- Human Resource Management
- Preparation and analyzing of monthly performance reports

Annexure -6

Indicative Plan of a particular district and block:

Annexure – 7

Capacity Building Steps and Process:

The Capacity Building process will consist of the following steps broadly, and will be responsive to project participants' changing needs and requirements:

1. Listing participant categories and indicative topics/subject areas in which they require CB.
2. Assessing the number of participants in each category, and determining the best way to reach them, e.g., for large numbers, through the training of Facilitators or, if the numbers are small, direct CB modules delivered through a mobile CB team in each district.
3. Preparing a database of CB resource persons, including Master Facilitators.
4. Conducting Capacity Needs Assessments for each participant category to assess existing levels of capacity and specific needs.
5. Preparing training modules and materials.
6. Organizing participants and modules.
7. Conducting CB events.

The capacity-building process will consist of seven different methods viz., Trainings, Workshops, Exposure visits/Cross visits, Experience sharing, Self-learning, On-job technical assistance and Counselling. A mix of these methods has to be followed at different levels, appropriate to the content of capacity building that is planned. Capacity building plans have to be worked out systematically, the thumb rule being that capacity building must keep pace with emerging project requirements.

Annexure -8

Training to be given to District Level Designated Agency staff:

Apart from conducting the following trainings, to provide exposure to staff, change their attitudes and engender inspiration on the need for organisations of the poor for poverty elimination, all the staff irrespective of their position has to taken for a fifteen days immersion programme to the districts or other states where substantial institution building has already happened.

- Vision, mission, and values of NRPEP.
- Attitudes, behavior and interpersonal relations required by different level staff in implementing development programmes
- Project objectives, strategies and components.
- Village immersion (for 1 month) – studying in depth the problems of the poor and their coping strategies
- Participatory approaches, Social mobilization and institution building
- Livelihoods framework
- Social Risk Management
- Mobilisation funds from external sources viz., from commercial and Regional Rural banks
- Project planning and management tools (log frame etc.), M&E systems.
- Human Resource Development strategies
- Documentation skills

All inputs in the training session will be followed up by a field visit and sharing of experiences session to validate the relevance of training inputs. This will help in revising/ modifying the training inputs on a continuous basis so as to be as relevant and practicable as possible.

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- Human Resource Development strategies
- Documentation skills

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Annexure – 9

Rating Index Developed by NABARD

S.NO	CATEGORY	CRITERIA	MARK	KEY
1	COMPOSITION	Membership is homogeneous No homogeneity in membership	10 5	The rating is based on the judgment of assessing official
2	AGE OF THE GROUP	One year and above Six months and above but less than a year	10 5	There is no need to evaluate an SHG if it is less than six month old (ignore marginal shortfalls upto 1 month)
3	WEEKLY GROUP MEETINGS	Four meetings per month 2-3 meetings per month 1 meeting per month	10 8 5	The total number of meetings conducted during the last 3 months may be divided by 3 to arrive at average no. Of group meetings.
4	ATTENDANCE	More than 90% Between 70% and 90% Less than 70%	10 5 3	See explanation 1 at the end.
5	MINUTES BOOK	Written in detail Maintained, but not in detail	10 5	Peruse of minutes book pertaining to meetings held during the last 3 months.
6	PARTICIPATION IN GROUP DISCUSSION	Participation by only a few members Participation by majority of members	5 10	Peruse minutes book (if rating is 10 for item 5) Observe during a couple of group meeting Interact with members
7	SAVINGS (FREQUENCY)	4 times a month (by majority members)	10	**Step 1 :** Take the average no. Of members making saving

		members) 4 times a month (but not by majority) 2-3 times a month (by majority members) 2-3 times a month (but not by majority) 1 time a month day (by majority members) 1 time a month (but not by majority)	8 8 5 3 1	during last 3 months. **Step 2 :** Compare this with the total no. Of members **Step 3 :** Majority mean > 60% **Step 4 :** For average no. Of meeting, follow rating given for item 3 above. Note : **Please see explanation 2 at the end.**
8	SAVINGS & LOAN RECOVERY (MODE OF COLLECTION)	Collected in group meetings House - to house collection	10 5	Ascertain form group leaders and members in this regard also, peruse minutes book.
9	STYLE OF FUNCTIONIN G AND GROUP DECISIONS	Democratic and Transparent Decisions taken by few dominant member / members / group leaders	10 0	Peruse minutes book, Interact with members, Observe in few group meetings, Ascertain whether periodical elections are conducted for the leadership and whether all decisions are in group meetings and on democratic lines.
10	SANCTION AND DISBURSEME NT OF LOANS	Selection of borrowers in group meetings Sanction and disbursement of loans in group meetings	2 2	Ascertain the position from group leaders/ members Peruse minutes book (Each item will get marks shown against it, if the conditions are

		meetings Loan terms and conditions discussed in group meetings and recorded in minutes Utilisation of loans reviewed regularly in group meetings Recovery of loans reviewed regularly in-group meetings.	2 2 2	satisfied)
11	INTEREST ON SHG LOANS	Uniform rate irrespective of source of funds Different rates depending on source of funds Interest rates vary according to the purpose of loan Uniform interest rate for all purposes	5 3 5 3	Peruse loan register. Ascertain from group leaders / members
12	UTILISATION OF SAVING FOR LOANING	Above 80% Above 50% and upto 80%	10 5	Compare savings outstanding on a given date with loans outstanding on the same date to obtain the percentage. Nil mark for utilisation of savings below 50%

13	RECOVERY OF LOANS	Dues not recovered in respect of 10% or less of total no.of loan accounts Dues not recovered between 10% and 30% of total no.of loan accounts.	10 5	Even one instalment unpaid without authorisation by the group is treated as dues not recovered. Count such accounts and compare them with total no. Of loan a/c. Also, peruse minutes book for authorisation for non-payment
14	BOOKS OF ACCOUNTS	Attendance cum minutes book Savings Register Loan Ledger Bank Passbook	3 3 3 1	Each record / register, if maintained properly and upto date, will get marks shown against each.
15	BYLAWS / GROUP RULES	Known to all members Known to most of the members Not known to many members	10 5 0	Ascertain from the member through interaction

SELECTION CRITERIA OF SHG FOR LINKAGE TO BANK LOAN

1. SHG scoring more than 120 marks out of maximum of 150 marks could be chosen for credit linkage
2. SHG scoring less than 120 marks will have to be further developed before linkage. The areas for taken up after 3 months.

Annexure – 10

Community Based Monitoring

NRPEP anticipates that each poor household need to invest around Rs. 1 lakh over a period of seven to eight years to come out of poverty. Therefore, uninterrupted access of bank credit by poor households is an important developmental outcome under NRPEP. Hence, there is a need to emphasize that nothing short of 100% timely payment of instalments only will strengthen and sustain the bank linkage. In order to embed the culture of proper utilisation of bank loans and their timely repayment in institutions of the poor, community based monitoring mechanism is considered useful.

Objectives

a. Promoting banker-community interface to address the banking needs of Self Help Groups and enhance flow of credit to poor households
b. Building an effective and sustainable community based mechanism for monitoring of SHG-Bank Linkage
c. Enabling to ensure 100% recovery of bank dues adopting the peer pressure evident in Self Help Group processes rather than coercive means

Branch level Bank Linkage Committee

a. Each VLF will constitute a committee known as Bank Linkage Committee consisting of two members drawn from its Executive Committee. Needless to mention, these members should have impeccable track record of taking bank loans and repaying them promptly.
b. A Branch level Bank Linkage Committee will be formed, under the aegis of local bank branch, by co-opting bank linkage committee members from all VLFs operating in the service area of the branch concerned.
c. The Branch level Bank Linkage Committee will have elected representatives to coordinate with bank branch and other line departments

Functions of the Branch Bank Linkage Committee

a. The branch manager shall convene meetings of Branch level Bank Linkage Committee at least once every month to reflect upon the performance under SHG-Bank Linkage, review SHG finance portfolio of the branch, formulate credit linkage strategies and recovery plans for the ensuing month.

b. The committee shall facilitate opening of savings accounts and other banking transactions by Self Help Groups and VLFs.
c. The committee shall review the status of book keeping arrangements and preparation/implementation of Micro Investment Plans in Self Help Groups and VLFs.
d. The committee will nominate one of their representatives to represent participate in Block Level Bank Linkage Committee.

Trainings for Bank Linkage Committees

a. Banks shall organize training programs on basic banking, rating, loaning procedures, loan documentations, recovery practices, etc for all Bank Linkage Committees attached to their branches in coordination with DLDA
b. Exposure visits for bank officials and community members to best practice areas will enable cross-fertilization of innovatory practices in SHG-Bank Linkage and livelihood promotion.
c. Likewise, refresher programs may also be organized not only to update the community members but also keep pace with turnover in branch staff and committee members

Cost of the CBM

The cost of the community based monitoring including expenditures for convening committee meetings, travel allowance, wage compensation for members participating in recovery campaigns, etc shall be borne by the branch concerned.